

From the editors of **Digital Commerce 360**

CORONAVIRUS: ECOMMERCE CRISIS MANAGEMENT FOR TODAY AND TOMORROW

How retailers, manufacturers and wholesalers are responding to unprecedented challenges while taking advantage of new opportunities to increase online sales.



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USE EFFECTIVE DIGITAL STRATEGIES TO WEATHER CORONAVIRUS TODAY FOR A STRONGER TOMORROW

Many U.S. manufacturers, distributors, wholesalers and retailers have experienced and managed a crisis or two in their time. Both business-to-consumer and business-to-business ecommerce sellers have seen production slowdowns, strikes, recessions, depressions and natural disasters, to name a few.

In ecommerce, many web merchants and other online sellers have lived through the dot-com crash of 2000-2002 and the Great Recession of 2008. In B2B, digital sellers have also wrestled with tough internal challenges, such as overcoming numerous obstacles and skeptics inside the organization to build and sustain an ecommerce program. And many faced down their long-time distributors, wholesalers and retailers to bypass the middleman and sell online directly to businesses and consumers.

But the latest crisis testing the ecommerce mettle of B2C and B2B ecommerce website operators is the coronavirus, the fast-spreading and long-lasting pandemic that's brought national economies to a standstill, forced all or big parts of entire societies indoors and threatens to overwhelm local, regional and national health systems.



The end result is that the current pandemic is bending but not breaking ecommerce. The effect of the coronavirus on ecommerce is also highly uneven. In business-to-consumer ecommerce, the coronavirus has closed down many stores and malls and shifted even more shopping online, including for groceries, prepared food and other items necessary for daily life. The coronavirus resulted in a surge in web sales for such merchandise categories as groceries, while at the same time bringing online orders to a trickle in segments that depend on discretionary consumer spending, such as for luxury goods and jewelry.

In B2B ecommerce, the coronavirus is changing—perhaps fundamentally—the way the B2B ecommerce market is doing business.

From supply chain and inventory management to customer service, fulfillment and delivery, the sudden and ongoing impact of the coronavirus is making B2B buyers and sellers of all sizes change business operating tactics daily—and in some cases even hourly. “It’s a war out there,” says Vic Hanna, the CEO of BettyMills.com, an online medical supplies superstore that sells primarily to B2B customers in healthcare.

But manufacturers, distributors, wholesalers, retailers and other online sellers aren’t being caught entirely off guard. In fact, many B2B ecommerce sellers are making solid plans and implementing new technology, marketing and other procedures to immediately manage the short-term effects of the coronavirus.

There also are hard-won lessons learned from the current pandemic that ecommerce companies of all sizes are using to seek out new online business opportunities and build post-coronavirus technology, business, marketing and operations strategies and programs that will work more effectively and efficiently for the long haul.

But there will be winners and losers. “This crisis is widening the digital divide among those who made earlier investments in ecommerce and those that didn’t,” says Brian Beck, a managing partner of Enceiba, an agency that helps manufacturers and brands sell through Amazon.com and Amazon Business. “Some of those that didn’t won’t survive.”

This report presents data, insight and usable takeaway best practice advice that B2C and B2B companies can use now and going forward to count themselves in the winner’s circle.

CAPITALIZING ON OPPORTUNITIES IN A TIME OF CRISIS

Tim Hinckley,
Chief Commercial Officer,
Radial, a provider of global
omnichannel technology
and operations



The COVID-19 pandemic has created significant challenges for almost every retailer in the United States and around the globe. While the crisis has been difficult to navigate for most retailers, some experts believe forward-thinking companies can leverage its potential opportunities. Digital Commerce 360 spoke with Tim Hinckley, chief commercial officer at Radial, a provider of global omnichannel technology and operations, about how the right commerce technology and services can help brands and retailers pivot operations quickly and shift models dynamically to persevere through unprecedented crises.

Q: What areas of ecommerce are experiencing the biggest impacts of the COVID-19 crisis?

Hinkley: There are different answers based on the segment of the supply chain and the given retailer. On the sourcing or inbound side, some companies have experienced difficulty obtaining products, as their suppliers are primarily in China. Other companies' suppliers are more diverse in their sourcing strategy, which provides them some initial advantage and relief when compared to others. As the pandemic continues to spread, virtually all supply chains face some form of disruption.

Q: What are some mistakes retailers have made so far?

Hinkley: The biggest miscalculation is thinking that this would be a location-based sourcing issue with the embargoes from China or that this would only be a short-term USA event. The secondary challenge has been around inventory placement and free cash flow to ensure that retailers can maintain the flow of goods through their ecommerce channel.

Q: What strategies can they implement to overcome obstacles associated with this crisis?

Hinkley: Having a multi-node, distributed supply chain that is linked to robust technology can give retailers an advantage in terms of transit, reduced transportation costs and lowered

general supply chain risk. In fact, one of Radial's clients leveraged our drop-ship technology, and we were able to set up a secondary warehouse shipping location in record time. Also, retailers that can pivot their product line, through direct manufacturing and or local sourcing—in alignment with strong digital efforts—will be ahead of the game.

Q: What ecommerce opportunities might come out of this crisis?

Hinkley: Ecommerce penetration will increase significantly as more consumers become comfortable and confident in the buying experience. The use of technology to enable multi-node distribution and multi-threaded call centers will quickly be seen as an advantage in meeting client demand as well as supporting contingency planning. Opportunities for innovative companies will quickly fill the void of retailers that don't weather the storm, and many new jobs will be created in the amplified world of digital commerce.

Q: What can they do now to leverage these opportunities?

Hinkley: Retailers that partner with third-party logistics vendors with ecommerce and omnichannel expertise to determine the best technology for optimizing their inventory and supporting their customer loyalty programs will have a distinct advantage in the years to come.

Radial, for example, has helped retailers in supporting increased call activity through our call centers, reviewing and implementing the transition of store to ecommerce inventory, managing the extreme demand surge associated with hand sanitizers, and leveraging dropship technology to turn on a warehouse in a matter of days for certain clients.



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Expose more inventory



Scale on demand



Mitigate fraud



Inspire customer loyalty

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THE CORONAVIRUS WILL BEND BUT NOT BREAK ECOMMERCE

by Mark Brohan

There are hard lessons this pandemic is teaching manufacturers, distributors and retailers. Many will thrive but some won't survive.

For the nearly 25 years since ecommerce

became a part of U.S. business and the economy, it's been a game-changer. In retail, the internet and ecommerce forever shifted shopping away from just stores and mail-order. The web gave consumers options to go online and research and purchase what they want, when they want it, and have items delivered to a location of their choosing.

In business, ecommerce gave purchasing managers and other buyers options to buy corporate goods and services over the web and gave manufacturers, distributors and wholesalers a new sales channel to connect with their customers online.

'IT'S A WAR OUT THERE'

But now the ecommerce game is changing. And the game-changer is the coronavirus, the deadly global pandemic that's forced nearly three in four Americans to shelter at home, closed down major industries and brought big chunks of the \$18 trillion U.S. economy to a standstill.

In business-to-consumer ecommerce, the coronavirus has closed down many stores



and malls and shifted even more shopping online, including for groceries, prepared food and other items necessary for daily life. The coronavirus resulted in a surge in web sales for such merchandise categories as groceries, while at the same time bringing online orders to a trickle in segments that depend on discretionary consumer spending, such as for luxury goods and jewelry.

In B2B ecommerce, the coronavirus is changing—perhaps fundamentally—the way the B2B ecommerce market is doing business. From supply chain and inventory management to customer service, fulfillment and delivery, the sudden and ongoing impact of the

coronavirus is making B2B buyers and sellers of all sizes change operating and business tactics daily—and in some cases even hourly. “It’s a war out there,” says Vic Hanna, the CEO of BettyMills.com, an online medical supplies superstore that sells primarily to B2B customers in healthcare.

But retailers, manufacturers, distributors, wholesalers and other ecommerce website operators aren’t being caught entirely off guard. In fact many B2C and B2B ecommerce companies are making solid plans and implementing new technology, marketing and other procedures to immediately manage the short-term effects of the coronavirus.

COUNTERACTING SUPPLY CHAIN DISRUPTION

Ecommerce companies also are making new and stronger plans for the long-run based upon the coronavirus challenges they are dealing with now. For many distributors, wholesalers and digital sellers of business goods and services, a top priority for now is keeping products coming in from manufacturers and other inventory suppliers. Already, companies of all sizes are seeing a disruption in their supply chains, especially from China.

A new poll of 600 supply chain managers by the Institute of Supply Chain Management found that nearly 75% of companies are reporting supply chain disruptions in some capacity

due to coronavirus-related transportation restrictions, and more than 80% say that their organization will experience some impact because of COVID-19 disruptions.

In online retailing, web merchants also are adopting to a new and different world for their supply chain—and with order management, fulfillment and delivery. 40% of retailer members of the National Retail Federation say they are experiencing supply chain disruptions due to the coronavirus, the NRF says. And an additional 26% expect to see disruptions.

As the pandemic grows, and then presumably eventually wanes, retailers need to be agile and able to quickly shift how they allocate products throughout their distribution areas and adjust the timing of when they receive product shipments. They also need immediate insight into where all their inventory is at any given moment, says Cyndi Lago, vice president of supply chain at digital technology consulting firm Capgemini.

MAKING SUPPLY CHAINS MORE DIGITAL—AND FLEXIBLE

For example, mass merchants such as Meijer Inc., Walmart Inc. and Target Corp. need to prioritize stocking and shipping of toilet paper over suitcases. That isn’t always easy as many retailers build demand-forecasting models and agreements with suppliers that aren’t agile enough to deal with sudden, drastic changes.

One thing retailers should be doing now to make their supply chains more flexible is using digital technologies to optimize operations across the entire supply chain. Such digital technologies enable connectivity, data management, insights and smart automation, Lago says.

Currently, only about 15% of companies analyzed by Capgemini have digitized their supply chains, although 60% of companies report they want to digitize them. A digital supply chain strategy often pays off. Companies that invest in digitizing their supply chain and procurement on average generate an 18% return on their investment within 12 months, Capgemini says. Additionally, 47% of retailers say supply chain digitization is one of their top three organizational priorities.

The time to fulfill orders has risen considerably since the outbreak of COVID-19, says Kirsten Newbold-Knipp, chief growth officer at Convey Inc., a provider of cloud-based logistics technology and services. “Over the past three weeks, we’ve seen an increase in fulfillment time of almost 40%” as measured by the length of time between when a shopper hits ‘Buy’ to when the order is picked up by the carrier for delivery, she says. “It’s gone from 15.1 hours to 21.2 hours.” Fulfillment time data is the average fulfillment time for all shipments shipped out at that time across the Convey platform. Shipments aren’t equivalent to packages.



—Kirsten Newbold-Knipp,
Chief Growth Officer, Convey, Inc.

‘We’ve seen an increase in fulfillment time of almost 40%.’

Convey’s data is based on tens of millions of packages shipped from more than 500,000 U.S. locations across the company’s client base. Analysis excludes Amazon shipments.

ONLINE RETAIL ORDERS ARE UP BY OVER 50%

For many companies in B2C ecommerce, B2B ecommerce or both, web sales as a whole are growing. With billions of people under stay-at-home directives during the coronavirus pandemic, ecommerce is booming across the planet.

In North America, the number of online orders for web-only online retailers increased by 52% year over year in the United States and Canada for the two weeks from March 22 through April 4, 2020, according to an online tracker from marketing platform Emarsys and analytics platform GoodData. Revenue for web-only retailers in the U.S. and Canada was up 30% year over year for the period.

Among primarily store-based retailers, the

number of online orders in the U.S. and Canada increased by 56% year over year for the same two-week period, according to the Emarsys/GoodData tracker. Online sales for that group during that period grew 43% compared with the same period a year earlier.

At a time when shoppers have been stocking up on essentials, online grocery revenue has soared much higher than overall ecommerce sales. According to food marketing and sales consulting firm Brick Meets Click, U.S. online grocery sales for all of March were up 233% compared with August 2019. Meanwhile, research from Symphony RetailAI finds online traffic is up more than 300% for some grocery retailers, while in-store traffic is down 45%.

ECOMMERCE GROWTH DIFFERS BY CATEGORY

But the growth in ecommerce resulting from coronavirus varies widely by industry and merchandise category. In B2B ecommerce, business is booming for companies such as Betty Mills. “For the first 18 days of March, our year-over-year order count is up 160% and revenue is up 180% during that same comparable period,” Hanna says.

Business is also brisk for Sustainable Supply Co., which operates SustainableSupply.com, generates annual B2B ecommerce sales of about \$25 million, and carries a full inventory of about 1 million products in categories that include



—Brian Fricano,
CEO, Sustainable Supply Co.

‘Our janitorial supply business on SustainableSupply.com has exploded.’

restroom, cleaning, safety, tool-and-hardware, motors, plumbing, and heating, ventilation, and air conditioning (HVAC). But about 40,000 to 50,000 products for janitorial and cleaning supplies, among others, used for hygiene and sanitation are the products most in demand, says CEO Brian Fricano.

The company has available products for many in-demand categories. But the supply of about 100 products, such as hand sanitizer, is running “dangerously low,” Fricano says.

“Our janitorial supply business on SustainableSupply.com has exploded, and it is indeed turning into an all-out war for supplies,” he says. “Dealers and consumers are trying to snatch up every last piece of inventory—we sold a year’s worth of toilet paper in three days.”

BRACING FOR A DROP-OFF

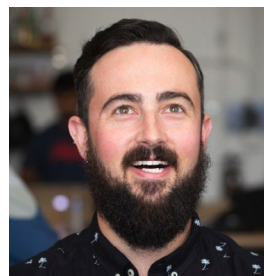
But Sustainable Supply—like many other B2B and B2C ecommerce companies—is bracing for a potentially big drop-off in business as the

coronavirus continues to wreak havoc on the U.S. economy. A survey of 50 business-to-business ecommerce executives by Digital Commerce 360 B2B finds that about 25% of B2B sellers expect to experience a boost in web sales in the short-run. But in the long-term, nearly 42% of B2B sellers expect a slowdown in web sales. “The uptick is most likely short-lived, as we are bracing for a major slowdown in the economy as businesses are being temporally closed,” says Fricano.

Sustainable Supply isn’t alone in bracing for a downturn in ecommerce business. While online grocery sales are soaring, more restaurants, bars and other food-preparation companies are working hard at upping their efforts to go digital for take-out and delivery orders.

But other web merchants are losing ground. For example, the first-quarter of 2020 was looking bright in terms of direct-to-consumer sales for high-end travel and camera gear retailer PeakDesign.com, says director of marketing Adam Saraceno. But then the coronavirus pandemic hit the U.S.

A strong Q1 is typical for Peak Design, as it gains many first-time consumers around the holiday season, and as those shoppers repurchase or look to buy coordinating components. But beginning the second week of March, traffic and sales took a pronounced downturn. And by the end of March, sales and traffic to its ecommerce site were cut in half, Saraceno says. “We don’t know what the world is going to feel like in two weeks,” he says.



—Adam Saraceno,
Marketing Director, Peak Design

‘We don’t know what the world is going to feel like in two weeks.’

BORROWING \$1 BILLION FOR LIQUIDITY

In B2B ecommerce, a pair of the biggest distributors of maintenance, repair and operations (MRO) products—W.W. Grainger Inc. and MSC Industrial Supply Co.—also are bracing for some uneven times ahead. Grainger is hedging against the uncertainty caused by drawing down \$1 billion from its unsecured revolving credit facility, bringing its cash on hand to approximately \$1.5 billion.

CEO D.G Macpherson says the borrowed funds will help Grainger to guard against further market disruption resulting from the spread of COVID-19, the disease caused by the novel coronavirus.

Grainger, whose ecommerce sites include its flagship Grainger.com for enterprise customers and Zoro.com for smaller businesses, does about 71% of its annual sales through digital channels, or approximately \$8.2 billion out of a total of \$11.5 billion in 2019 sales.

“Grainger’s financial position is strong,” Macpherson says. “However, in an abundance

of caution and as a proactive measure, we are taking prudent actions to increase our liquidity and financial flexibility.”

DEALING WITH ONGOING MARKET CHANGES

Before the coronavirus took hold, ecommerce was growing but at a slower pace for many distributors. And as this year unfolds with the virus pandemic, companies are dealing with ongoing market changes.

At MSC Industrial Supply, which has recorded steady gains in electronic sales over the past several years, ecommerce sales inched up barely in the first fiscal quarter ended Nov. 30, 2019, but remained virtually flat at \$499.9 million, compared with \$499.8 million in the year-earlier quarter. For the fiscal second quarter ended Feb. 29, ecommerce sales declined by 3.1% to \$478.7 million, as total sales fell by 4.5% to \$786.1 million. In March, the start of its fiscal third quarter, MSC saw an increase in sales before factory closings by its customers caused a significant drop in sales in the second half of the month, CEO Erik Gershwind said.

MSC is bracing for how the coronavirus will impact online and offline sales going forward, Gershwind told analysts on the Q2 earnings call. “We are reducing spending more broadly across the company, only moving ahead on operating and capital spending that is critical—we have ceased all hiring, cut expenses on items



—D.G. Macpherson,
CEO, W.W. Grainger, Inc.

‘We are taking prudent actions to increase our liquidity and financial flexibility.’

like outside resources such as consulting, and more. Looking ahead, we have well-developed contingency plans to reduce costs further if the situation deteriorates from here, as it very well may.”

As the coronavirus settles in, and as manufacturers, wholesalers and retailers deal with the ongoing impact of the pandemic, there will be a big impact on all forms of ecommerce, analysts say.

“The longer-term lessons for everyone will include an increased urgency to have a viable ecommerce channel—some will now get serious about it that weren’t prior—and we will see more diversification in the supply chain, including more domestic production capabilities,” says Brian Beck, a managing partner of Enceiba, an agency that helps manufacturers and brands sell through Amazon.com and Amazon Business. “This crisis is widening the digital divide among those who made earlier investments in ecommerce and those that didn’t. Some of those that didn’t won’t survive.”

FEATURES

MANUFACTURERS SHIFT ONLINE OPERATIONS AS CORONAVIRUS HITS HOME

by Mark Brohan

As the pandemic disrupts demand for manufacturing, many companies are relying on and adjusting digital commerce, supply chains and related operations to improve how they serve customers.

Many U.S. manufacturers have experienced and managed a crisis or two in their time. Manufacturers have seen production slowdowns, strikes, recessions, depressions and natural disasters, to name a few.

In ecommerce, many manufacturers have lived through the dot-com crash of 2000-2002 and the Great Recession of 2008. They've also wrestled with tough internal challenges, such as overcoming numerous obstacles and skeptics inside the organization to build and sustain an ecommerce program. And many faced down their long-time distributors, wholesalers and retailers to bypass the middle man and sell online directly to businesses and consumers.

But the latest crisis testing the ecommerce mettle of manufacturers is the coronavirus, the fast-spreading and long-lasting pandemic that's brought national economies to a standstill, forced all or big parts of entire societies indoors and threatens to overwhelm local, regional and national health systems.



TESTING ECOMMERCE INFRASTRUCTURE

The coronavirus is also a crisis that's testing manufacturers and their ecommerce business and infrastructure in ways never before seen, say manufacturing organizations and ecommerce consultants. "I was speaking with the CEO of a manufacturer a few days ago who has made considerable investments in their ecommerce and Amazon channels, and he believes these investments are the reason his company can sustain through this as their traditional channels have largely shut down," says Brian Beck, a managing partner of Enceiba, an agency that helps manufacturers and brands sell through Amazon.com and Amazon Business. "Ecommerce is the lifeline for manufacturers at this time."

The coronavirus has put the ecommerce operations of many business-to-consumer manufacturers on hold or even temporarily closed their operations.

But other manufacturers have shifted their digital manufacturing and ecommerce capability away from their regular production to produce more supplies such much-needed ventilators, gloves, face masks and related personal protective equipment, or PPE. For example, Proto Labs Inc., a provider of 3D printing and other forms of custom-manufacturing that does virtually all of its sales through its ecommerce site, is shifting production to prioritize product manufacturing and delivery for healthcare companies.

Accelerating production of medical products

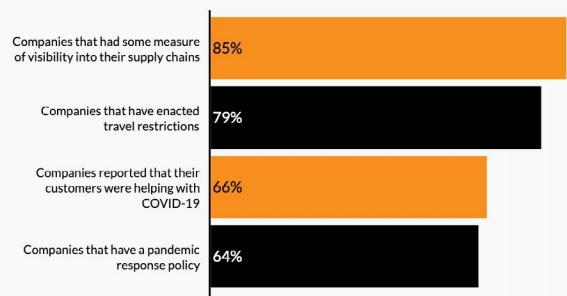
In all, Protolabs is working on about a dozen manufacturing and engineering projects related to companies and organizations accelerating production of products needed to fight the coronavirus. They range from a major biomedical testing company needing help with expediting sheet metal fabricated components for their automated lab testing equipment, to help with COVID-19 diagnosis. One Protolabs client, a developer of emergency response medical equipment, submitted an urgent order for 25 different molds, each producing about 2,000 different components for ventilator production.

Supply chain disruptions strain B2B ecommerce

Supply chain disruptions are beginning to hit home with companies of all sizes coming to grips with the coronavirus. This includes ecommerce. As B2B sellers scramble to keep up with digital sellers, more companies are switching time, money, people and resources to their ecommerce channel. But a new survey of 1,400 companies from supply chain research and analytics firm RapidRatings finds that the impact of the coronavirus is beginning to slow companies down. 47% of companies will not be able to continue shipments within two weeks of closing a facility, with the number increasing to 59% for North American firms, says Rapid Ratings.

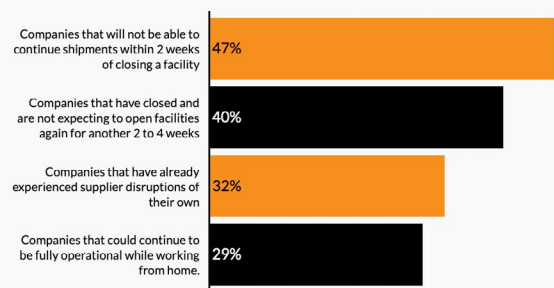


How B2B companies react to coronavirus



Source: RapidRatings

Coronavirus hinders supply chain operations



Source: RapidRatings

In Europe, Protolabs is working with Italian engineers to turn snorkel materials into ventilator masks and with a molecular diagnostics developer to produce plastic cassettes used in COVID-19 testing.

“We are prioritizing projects which are needed to equip our medical system to treat patients with COVID-19 and providing these customers with additional consultative design assistance to rapidly get these parts produced,” says a Protolabs spokeswoman. “For example, a major government contractor reached out to us, needing our assistance with producing tens of thousands of emergency respiratory masks for five Los Angeles area hospitals that are running out of masks,” she says.

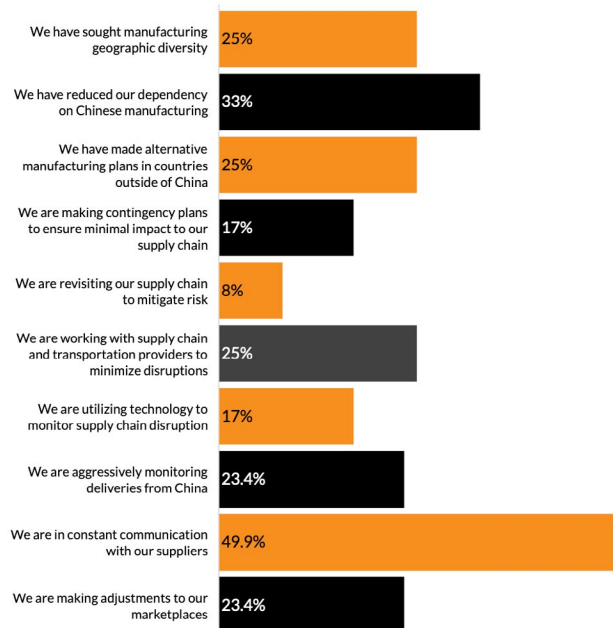
Another Protolabs customer, a virus detection equipment provider, is working with labs across the country to detect COVID-19 and develop a vaccine. That company “is having us produce multiple components for their equipment,” the Protolabs spokeswoman says.

READY TO ADJUST TO MARKET CHANGES

Many manufacturers are continuing to operate their business and ecommerce operation as normal—at least for now. At TE Connectivity Inc., a \$14 billion Switzerland-based electronics component manufacturer, ecommerce has yet to see any big disruptions. “From an ecommerce stand point, we haven’t seen any impact, but it’s pretty early in the situation to tell,” says TE

How B2B sellers are dealing with coronavirus

Which of the following actions are you taking as a result of coronavirus relative to your supply chain? (Select all that apply)



Source: A survey of 50 business-to-business ecommerce executives by Digital Commerce 360 B2B.

Connectivity director of e-business and digital commerce Steve Max.

For the time being it’s also business as usual for Bradford White Corp., a 149-year-old manufacturer of residential and commercial water heaters headquartered in Ambler, Pennsylvania. “For now, given that water heating appliances are essential for the production of hot water in homes and health care facilities on a regular basis, we and many of our customers are operating under fairly business-as-usual circumstances,” says senior director of marketing communications Carl Pinto Jr. “We know that

our distributors are experimenting with new ways of servicing the contracting community in light of COVID-19, and digital business is certainly a part of that.”

At General Mills Inc., one the world’s largest and oldest food makers, with some of the most well-known brands of breakfast, baking and convenience foods such as Cheerios and Pillsbury, ecommerce also has been performing well. That’s significant because General Mills—which grows its sales through online retail channels by working with such chain and online merchants such as Amazon, Walmart and Kroger in the U.S., Ocado.com and Tesco in the United Kingdom and JD.com in China—has been dealing with global issues since the coronavirus first hit Wuhan province in China in December.

ECOMMERCE AS A GROWTH ENGINE

So far, ecommerce has been a growth engine for General Mills, and the company’s current international supply chain is meeting demand, CEO Jeff Harmening told Wall Street analysts on a recent earnings call. “What we did see in China was a pretty significant shift to the ecommerce channel, and we were well prepared for that and we serviced our customers both in-store and online, but we did see, as you can well imagine, an increase in the ecommerce channel,” he told analysts.

MANAGING THE PRESSURES ON PROCUREMENT AMID THE CORONAVIRUS



“Supply chains are facing disruptions as companies face varying levels of demand, requiring B2B

companies to have the right mix of digital commerce technology to manage a changing flow of orders over the next several weeks.”

—Brady Behrman,
CEO and Procurement Expert, PunchOut2Go

In a question-and-answer interview, B2B ecommerce and eprocurement expert Brady Behrman, CEO of software firm PunchOut2Go, shares his insights on how the coronavirus pandemic is affecting manufacturers, distributors, retailers and digital commerce.

While some companies in direct-to-consumer ecommerce are seeing increases in orders, Behrman notes, a review of 400 manufacturers shows a decrease in orders fulfilled to big-box retailers. There are also other signs of a drop in B2B ecommerce and eprocurement, and companies that rely on just-in-time inventory are facing supply challenges.

But companies set up with effective ecommerce and eprocurement systems, Behrman contends, should be positioned to work with agile supply chains and pick up growth as the coronavirus pandemic clears.

Q: Can you provide some perspective on how the current coronavirus pandemic is impacting manufacturers, ecommerce and eprocurement?

Behrman: Many more B2B manufacturers are looking at direct-to-customer ecommerce sales models because the traditional distributor/retailer/ buyer channels are disrupted. It's likely that channels will be changed for good and that ecommerce will be a big part of the strategy for dealing with the coronavirus pandemic and with future sales.

The impact on manufacturers varies depending on the manufacturer and the industry, but the majority of manufacturers are seeing disruptions throughout their supply chain, distribution channels, and shipping operations. We have seen comparable localized disruption in the past, with events such as earthquakes in Japan and Southeast Asian tsunamis. But the coronavirus pandemic is different because it's global, which makes it even more difficult to pivot and acquire new suppliers—everyone is in the same boat.

"Ecommerce and procurement automation radically reduce supply-chain friction and delays, generating the supply-chain agility that manufacturers will need in the coming weeks."

In many industries, order-flow is excellent, but fulfilling those orders is increasingly challenging. Manufacturers that have been declared non-essential have shut down factories and warehouses. One example is the golf industry: consumers and distributors are placing orders, but manufacturers don't have the staff and resources to fulfill them.

Other industries are doing well, with minimal disruption to ordering and fulfillment. It all depends on the mix of industry, state regulations, and supply chain.

The biggest impact across all sectors is labor availability. The coronavirus and the lockdowns in affected countries impact labor availability for manufacturing and logistics. But we're also seeing impacts on cashflow and consistency of availability across trading relationships.

With a sample size of about 400 manufacturers, we're seeing that companies selling to Big Box retail are experiencing significant reductions in orders. New orders aren't coming in and orders that had already been shipped are being rejected or returned. Large quantities of products are flowing back into warehouses, putting a huge strain on manufacturers and distributors.

In the B2C space, ecommerce has seen a rapid expansion of orders, but the situation is different in the B2B space. PunchOut2Go's data shows an overall slowdown of under 10% in B2B ecommerce and eprocurement activity. But the true impact for many manufacturers is likely obscured because a handful of suppliers have in-demand goods and are seeing significant increases in orders. Suppliers who don't fall into this category are experiencing more significant slow-downs.

Q: From an ecommerce perspective, how ready are (or were) the manufacturers for dealing with all aspects of the coronavirus?

Behrman: Manufacturers who had invested in ecommerce and organizations investing in procurement automation are in a stronger position than those who did not.

Manufacturers are ordering less from suppliers, but, in spite of the disruption, orders haven't stopped. Many manufacturers are likely to want to ramp up production as the situation becomes

clearer, but they will need to be agile to work around supply-chain disruption. Ecommerce and procurement automation radically reduce supply-chain friction and delays, generating the supply-chain agility that manufacturers will need in the coming weeks.

Direct spend suppliers have been less enthusiastic than indirect suppliers about embracing ecommerce, but manufacturers that have invested in procurement automation with direct-spend suppliers that offer ecommerce are better equipped to overcome supply issues caused by the crisis.

Q: What, in general, is the impact on ecommerce for just-in-time industries such as automotive?

Behrman: Just-in-time supply chains are inherently vulnerable to the type of disruption, staffing shortages, supply constraints, and delivery issues caused by COVID-19, the disease caused by the new coronavirus, and by crisis-control measures. However, we aren't seeing order volumes changing across automotive with our customer base in North America and Australia, for instance, but do not have all the data across all areas of B2B, outside of eprocurement integrated channels.

Manufacturing and sales will suffer in industries that depend on just-in-time supply chains. Manufacturers that have built safeguards into their supply chain—redundant geographically dispersed suppliers, for example—are less vulnerable to supply chain disruptions.

Home Improvement companies that have embraced B2B are seeing an influx of business around maintenance whether its facilities maintenance, garden, builds and beyond. Projects that may have been back-burnered because of office logistics and so forth are coming to the forefront.

Suppliers with B2B ecommerce stores are better placed to endure COVID-19 supply chain disruptions, particularly those who are equipped to integrate with supplier e-procurement platforms via punch-out catalogs and purchase order automation. They are better able to communicate their product selection, real-time availability, and shipping capabilities. They are equipped to execute sales easily and remotely.

Q: Some manufacturers are closing down some or all production or shifting gears to produce medical supplies – what's the impact on ecommerce?

Behrman: Direct-to-customer (D2C) sales via ecommerce are becoming increasingly important because, in addition to shifting production, B2B manufacturers need to communicate product availability and to transact with the customers most in need.

As we mentioned earlier, traditional channels are seeing significant disruption and manpower shortages, but D2C pivot on ecommerce gives manufacturers a sales platform to route around

that disruption. Those with an ecommerce platform have a clear advantage compared to those without.

Q: What as a rule are manufacturers doing well from an ecommerce perspective dealing with the impact of the coronavirus? Where are they falling short?

Behrman: We're early in the crisis and the data isn't available to make a clear assessment of how successfully manufacturers are dealing with the impact of coronavirus. But we expect to see an increasing number of manufacturers turning to ecommerce as an alternative to their traditional distribution channels. Because ecommerce has proven so crucial to handing supply chain disruptions, manufacturers who were slow to adopt ecommerce in the past are more likely to see its true value.

Q: What long-term ecommerce lessons should manufacturers take away from this coronavirus crisis?

Behrman: The key lesson is that manufacturers need a direct-to-customer ecommerce strategy and a diverse supply chain supported by ecommerce and procurement automation. On the flip side, those direct-to-customer companies that have embraced B2B are in a really unique position right now.

General Mills is a big and diversified company. It's also heavily invested in ecommerce. The company's acquisition of pet food brand Blue Buffalo, for which it paid about \$8 billion in February 2018, added to its line of products with strong online sales to consumers. "Our natural and organic brands are driving our growth in ecommerce as early adopters for food online," Harmening told analysts.

But the coronavirus also may mean a demarcation in manufacturers that are prepared for ecommerce and managing a crisis—and those that aren't. "Very few, if any, manufacturers were or are ready to deal with all aspects of the coronavirus, says Perficient Digital senior commerce consultant Karie Daudt.

MAINTAINING SUPPLY CHAINS

For many manufacturers, the biggest issue with ecommerce is maintaining their supply chain to keep making products and developing services, and to keep online orders flowing to customers. "Manufacturers who have a robust and resilient supply chain and participate effectively in marketplaces have fared far better than their competition who is behind in their digital transformation," says Perficient Digital chief strategist Mike Rabbior.

A new poll of 600 supply chain managers by the Institute of Supply Chain Management finds that nearly 75% of companies report supply chain disruptions in some capacity related to

coronavirus-related transportation restrictions, and more than 80% say that their organization will experience some impact because of disruptions stemming from COVID-19, the disease caused by the novel coronavirus.

"The story the data tells is that companies are faced with a lengthy recovery to normal operations in the wake of the virus outbreak," says institute CEO Thomas Derry. "For a majority of U.S. businesses, lead times have doubled, and that shortage is compounded by the shortage of air and ocean freight options to move product to the United States—even if they can get orders filled."

A March 2020 survey by Digital Commerce 360 B2B of 50 manufacturers, distributors and other B2B sellers shows that supply chain issues are either already impacting or about to impact their ecommerce operations. The survey found that about 25% of B2B sellers expected to experience a boost in web sales in the short-term. But in the long-term, nearly 42% of B2B sellers expected a slowdown in web sales.

DIVERSIFYING SOURCES OF SUPPLIES

The survey also found that about 50% of B2B sellers are in constant touch with manufacturers and other supply chain partners in the quest to secure adequate sources of inventory, compared with 25% that are seeking to diversify their manufacturing geographically and working with supply chain and transportation providers to minimize disruptions. "The biggest things that

B2B companies are struggling with from an operational perspective are how to deal with shortage of supply, particularly out of Asia, and how to manage a distributed workforce,” Beck says. “In the post COVID-19 world, I think these two things will probably result in more domestic sourcing of products or at least many diversification of supply geographies.”

Already, some digital B2B sellers are seeing inventory rationing and supply chain disruption from some manufacturers. Manufacturers are shifting priorities to keep pace with an economy and an ecommerce market that is in flux and deciding who—and who doesn’t—get needed products.

For example, distributor Sustainable Supply, which generates annual B2B ecommerce sales of about \$25 million, carries a full inventory of about 1 million products. But about 40,000 to 50,000 products for janitorial and cleaning supplies, among others, used for hygiene and sanitation are the products most in-demand—and among the hardest to get, CEO Brian Fricano says.

AN ‘ALL-OUT WAR’ FOR HOT CATEGORIES

The company has available products for many in-demand categories. But the supply of about 100 products such as hand sanitizer is running “dangerously low,” Fricano says.

“Our janitorial supply business on SustainableSupply.com has exploded, and it is



indeed turning into an all-out war for supplies,” he says. “Dealers and consumers are trying to snatch up every last piece of inventory—we’ve sold a year’s worth of toilet paper in the past three days.”

Big suppliers of hand sanitizer and related products—such as GoJo Industries, which manufactures Purell, a brand of instant hand sanitizer made of ethyl alcohol, and The Clorox Co., maker of bleach, cleaning products and many other related brands—are telling Sustainable Supply and other B2B sellers that they are prioritizing which outlets get available inventory first, such as hospitals and other healthcare facilities, he says.

“We have some big manufacturers that are telling us it may be July before we can get full delivery,” Fricano says. “They tell us they are distributing now to those that need it first.”

GLOBAL PROCUREMENT CHALLENGES

In the wake of the coronavirus, many manufacturers are finding that the pandemic is changing their ecommerce operations both as a producer and online seller of goods and services. While some companies in direct-to-consumer ecommerce are seeing increases in orders, a review of 400 manufacturers by e-procurement software firm PunchOut2Go shows a decrease in orders fulfilled to big-box retailers. There are also other signs of a drop in B2B ecommerce and e-procurement, and companies that rely on just-in-time inventory are facing supply challenges.

But companies set up with effective ecommerce and e-procurement systems, PunchOut2Go contends, should be positioned to work with agile supply chains and pick up growth as the coronavirus pandemic clears. “The impact on manufacturers varies depending on the manufacturer and the industry, but the majority of manufacturers are seeing disruptions throughout their supply chain, distribution channels, and shipping operations,” says Punchout2Go CEO Brady Behrman. “We have seen comparable localized disruption in the past, with events such as earthquakes in Japan and Southeast Asian tsunamis, but the coronavirus pandemic is different because it’s

global, which makes it even more difficult to pivot and acquire new suppliers—everyone is in the same boat.”

The pandemic also is impacting many manufacturers in ways as diverse as the manufacturing segment. In many industries, order-flow is excellent, but fulfilling those orders is increasingly challenging. Manufacturers that have been declared non-essential have shut down factories and warehouses. One example is the golf industry: consumers and distributors are placing orders, but manufacturers don’t have the staff and resources to fulfill them.

WORKING OUT LABOR AND OPERATIONAL ISSUES

“Other industries are doing well, with minimal disruption to ordering and fulfillment,” Behrman says. “It all depends on the mix of industry, state regulations, and supply chain.”

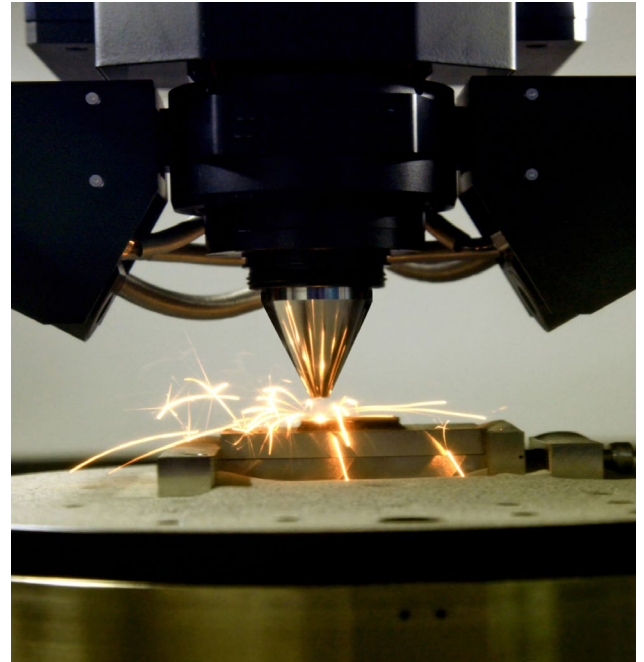
For some manufacturers, the biggest challenge to e-commerce is managing labor, product distribution and website operations, especially as some manufacturers shutter factories in the wake of slowing business caused by the coronavirus or shift their assembly lines to produce badly needed healthcare supplies such as ventilators, protective masks and clothing and related products, Daudt says.

“Automotive is quite similar to medical supply from my experience, in the sense that

products are needed in a timely fashion, and a big challenge for organizations that leverage ecommerce and physical storefronts will be aligning inventory, hours and experience,” she says. “These considerations can’t be overlooked. If an experience is changed online—such as allowing customers to select same-day, in-store pickup, but inventory within a local geographical store is off—the customers experience will diminish.”

As manufacturers hunker down, ecommerce analysts say more companies are likely to accelerate their investment in B2B ecommerce. “Some companies are accelerating their ecommerce channel to move faster on projects that were just starting or scheduled to start,” says Rabbior. “We are seeing a variety of responses from manufacturers—companies that are heavily vested in ecommerce are expanding their teams and investing more as they see the digital channel as the right avenue.”

After the pandemic has passed, there also may be a new dividing line between companies that will emerge from the crisis better able to embrace new ecommerce opportunity—and companies that aren’t as digital and will lose sales—and market share—to competitors with a robust ecommerce operation and business plan. “The longer-term lessons for manufacturers will include increased urgency to have a viable ecommerce channel,” Beck says. Some will now get serious about it, and we will see more diversification in the supply chain, including



more domestic production capabilities,” Beck says. “This crisis is widening the digital divide among those who made earlier investments in ecommerce and those that didn’t.”

DISTRIBUTORS HUNKER DOWN FOR MORE DIGITAL DISRUPTION

by Mark Brohan

Companies including Grainger, MSC Industrial Supply, Avnet and FoodServiceDirect.com are taking various steps to deal with market fluctuations, maintain employee safety and continue order fulfillment and customer service during the virus pandemic.

U.S. companies of all sizes are heads-down

and hunkered down, trying to figure the best way online and offline to get through the coronavirus pandemic.

Distributors and wholesalers are no exception. In just six weeks, the coronavirus has upended the business-to-business ecommerce market and blown away business-as-usual.

The coronavirus, which has brought numerous industries and companies in the U.S. and overseas to a virtual standstill, is creating a host of short-term headaches and longer-range ecommerce challenges for distributors and wholesalers.

There are 411,007 distributors and wholesalers in the United States, according to the U.S. Department of Commerce. Of those companies, about two-thirds of distributors and wholesalers have at least one ecommerce site, a log-in ordering portal or both, estimates Digital Commerce 360 B2B.



CRISIS MANAGEMENT ISSUES

For distributors with an ecommerce site, the coronavirus has brought on a wave of crisis management issues. Those issues cover the gamut of digital business challenges, from dealing with disrupted supply chains and finding new product sources to finding new ways to generate web sales as orders fall off from manufacturers with shuttered factories. In some cases, distributors' ecommerce sales are surging, while in other cases they've suddenly fallen off. "We are seeing ecommerce sites with a higher than normal demand slow down or almost stop," says Karie Daudt, senior commerce consultant with Perficient Digital. "Everyone is doing the best they can and adapting to meet the challenges of the current situation."

At W.W. Grainger Inc., a prominent distributor of maintenance, repair and operations (MRO) products, the company is hedging its bet on better managing the ecommerce uncertainty caused by the coronavirus by using money from its line of credit to keep current operations running. Grainger has decided to draw down \$1 billion from its unsecured revolving credit facility, bringing its cash on hand to approximately \$1.5 billion.

CEO D.G Macpherson says the borrowed funds will help Grainger to guard against further market disruption resulting from the spread of COVID-19, the disease caused by the novel coronavirus that has disrupted business operations in the United States and worldwide.

Grainger, whose ecommerce sites include its flagship Grainger.com for enterprise customers and Zoro.com for smaller businesses, does about 71% of its annual sales through digital channels, or approximately \$8.2 billion out of a total of \$11.5 billion in 2019 sales.

“Grainger’s financial position is strong,” Macpherson says. “However, in an abundance of caution and as a proactive measure, we are taking prudent actions to increase our liquidity and financial flexibility.”

DIGITAL B2B COMMERCE 360

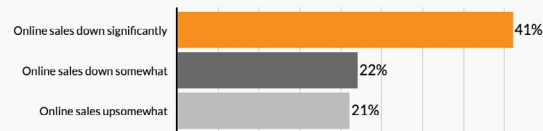
B2B sellers brace for a downturn in online sales from coronavirus

73% of B2B companies expect COVID-19 to result in downside revenue, according to a new survey of buyers from Digital Commerce 360 B2B. The survey of 60 purchasing managers reveals that almost all companies expect declines in revenue. In fact, some have already made adjustments to their revenue forecast and guidance. For those who indicate it is too early to tell, they, too, may be likely to end up seeing a downward curve. Interestingly, while B2B ecommerce mostly follows a downward curve, one in three companies surveyed see an upward trend in their business as the performance varies by sector.



B2B sellers are bracing for more fallout from coronavirus

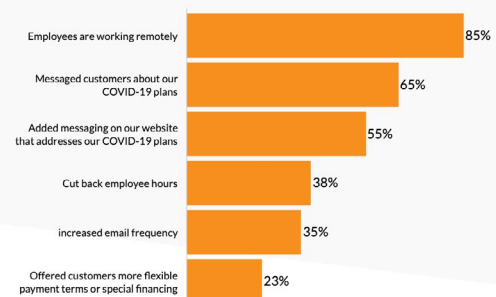
What impact have you seen on your ecommerce revenue because of the pandemic?



Key takeaway: B2B ecommerce business has taken a hit with 63% of businesses reporting a downturn.

B2B sellers are making changes to accommodate for coronavirus

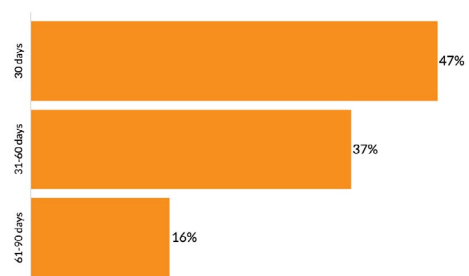
Which of the following have been part of your business strategy in the wake of COVID-19? Please select all that apply.



Key takeaway: Companies are assessing their viability and taking appropriate actions relative to their workforce.

B2B sellers are looking at limited inventories of critical supplies

What is the current inventory status for each of the following types of products?



Source: A March 2020 survey of 60 business-to-business ecommerce executives by Digital Commerce 360 B2B.

KEEPING WORKERS SAFE AND ORDERS FULFILLED

Many distributors are making adjustments to their digital and branch operations to keep orders going out on time to customers.

Capitol Group Inc., a wholesaler and distributor of hydronic plumbing and heating equipment and supplies based in Springfield, Illinois, is adjusting its workforce to maintain safe operations and keep ecommerce orders fulfilled and delivered, says vice president of information technology and supply Ernie Cox. “Our warehousing staff works in six-hour shifts, though we are paying them for eight hours,” Cox says. “The first shift is to be gone promptly before the second shift arrives to reduce the possibility of cross-contamination.”

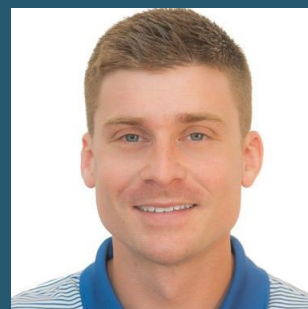
Capitol Group also is using email and electronic messaging services in different ways to keep order-related information and paperwork flowing. “We divided up tasks between in-office and home-office workers where possible,” Cox says. “As an example, the scanning of packing lists are completed by someone in-office but then emailed to someone working from home for the attachment process. Previously, we didn’t scan packing lists—we simply forwarded them to our corporate payables department for reconciliation and filing.”

At MSC Industrial Supply Co., which reported ecommerce sales of \$2.019 billion for the fiscal year ended Aug. 31, 2019, and carries an inventory of about 1.7 million products for maintenance, repair and operations (MRO) and other industrial products, the company’s 12 distribution centers are open.

B2B ECOMMERCE VETERANS KARIE DAUDT AND JUSTIN RACINE OF PERFICIENT DIGITAL SHARE THEIR INSIGHTS ON HOW COMPANIES ARE RESPONDING TO THE VIRUS PANDEMIC TO MAINTAIN BUSINESS AND SERVE CUSTOMERS.



—Karie Daudt, Senior
Commerce Consultant,
Perficient Digital



—Justin Racine, Senior
Commerce Consultant,
Perficient Digital

To get a broad look at how the novel coronavirus is impacting distributors and wholesalers, Digital Commerce 360 B2B talked with Karie Daudt and Justin Racine, senior commerce consultants at digital transformation consulting firm Perficient Digital. Daudt and Racine each have many years of experience working with distribution, wholesale and manufacturing organizations.

Q: How is the virus pandemic impacting distributors and wholesalers as a group?

Daudt: The reality is that distributors and wholesalers with ecommerce in place are managing better than ones without. The high demand is making it challenging for companies that underinvested in the digital channel in the past. Even digitally mature companies are having to make changes to adapt to demand.

We believe that this is going to change the go-to-business model in the future, as everyone has not had to adapt to online buying. We are seeing ecommerce sites with a higher than normal demand slow down or almost stop. We are seeing an influx of companies looking for assistance in addressing this demand. Everyone is doing the best they can and adapting to meet the challenges of the current situation.

Racine: It's causing major disruption daily for distributors, specifically for those who sell personal protective equipment (PPE) products. The large challenge here is that you have various government agencies, both local and federal, trying to procure these hard-to-find items anywhere they can. Think of it this way, a hospital normally purchases their supplies from a distributor, but that distributor is now competing with government agencies to acquire the product.

The problem with this approach is the inconsistency that is created to the hospital, as they really don't know when PPE items will arrive. If government agencies are grabbing products before the distributor can, the hospital really doesn't have clarity on when and where items will come from, which is what we are hearing on the news more and more.

Q: How is the coronavirus impacting their B2B ecommerce operations?

Daudt: It is really an interesting question, as we are seeing that the impact is all over the place. We have distributors that sell safety equipment and that are on reduced hours because the most needed products are not available from their suppliers. We are seeing industrial supply distributors busy as heck, supplying components for machines to make in-demand medical supplies. However, it varies by market, financial position, organizational philosophy and B2B ecommerce maturity, to name a few. We are seeing sites with a higher than normal demand slow down or almost stop. We are seeing an influx of companies looking for assistance in addressing this demand. Everyone is doing the best they can and adapting to meet the challenges of the current situation.

Racine: Products are being hoarded, there is no questioning that. However, there are other subtle areas that are in play here as well. Website performance can be hindered due to the increased amount of traffic. Customers

may be struggling to find products due to lackluster on-site search experience. One of the largest challenges ecommerce organizations will have is pivoting to support new delivery styles that typically they haven't before leveraged. Customers are looking to request curbside delivery with no human contact. These workflows and delivery methods will need to be built and accounted for on B2B ecommerce platforms to support this "new normal."

Q: What impact is the coronavirus having on supply chain partners? With some manufacturers idling plants, some distributors are seeing MRO sales fall off.

Daudt: As with every aspect of this situation, it varies by market. MRO or non-essential markets are being adversely impacted. Other essential markets including medical and food supplies are stressed but very active. We have seen some manufacturers pull back and delay investment, while others anticipate opportunity shifting online and are actually considering additional investment to meet the new demand.

We believe that this is going to change how everyone thinks about digital commerce in the future. We are seeing companies ask us to help build their business case with digital so they can start the process when this all settles down. We are seeing some interesting markets experience an increase in demand right now that we would not expect.

Q: Are you seeing more distributors close down physical locations and switch to digital sales?

Daudt: We have seen differing responses. In some cases, organizations are "hunkering down." Others, potentially those with stronger ecommerce businesses and platforms, see this as an opportunity to secure new market share or shift more online. We have heard of some companies going out for loans to help with cash flow right now. We are seeing a lot of distributors add people as they are shipping essential items in essential markets.

So this is not a one-size-fits-all situation. We do see companies making investments on their existing commerce sites to address the concerns around demand and supply. We are seeing companies add messaging that helps people navigate through the site and to gain a clear understanding of limits and availability. We are seeing companies take orders for back-ordered items now that they haven't in the past. We are seeing more investment around search tuning and SEO to drive traffic to their sites. We are seeing distributors start to expand their efforts into new markets.

Racine: I'm personally not seeing many facilities close. Items still need to be picked, packed and delivered. I am seeing them leverage more digital, as healthcare sales associates are being restricted to access their customers' facilities.

Q: From an ecommerce perspective, what are the biggest challenges distributors face dealing with the coronavirus and how are they overcoming them?

Daudt: Supply chain disruption is a very real problem. Additionally, uncertainty leads to concerns regarding ongoing investment. The single universal issue is uncertainty, which leaves many wondering what they should be doing. The availability of products is going to continue to be a big issue, simply because no one knows when this is going to end.

Everyone is making decisions and pivots based on new information and changes in demand. We do see companies making investments on their existing commerce sites to address the concerns around demand and supply. We are seeing companies add messaging that helps people navigate through the site and to gain a clear understanding of limits and availability. We are seeing companies take orders for back-ordered items now that haven't in the past.

Racine: This crisis has exploited various holes in ecommerce functionality that previously may not have been noticed. Things like delivery-specific instructions and product-ordering limitations will remain at the forefront, but some of these challenges I see as opportunities. For example, healthcare distribution companies likely have new regulations that have to be

met by delivery drivers when they are dropping product off at a facility.

Most facilities are likely limiting delivery to only essential vendors, including medical supplies. A healthcare distributor should look to leverage in other product categories if possible. Facilities still need other products like foodservice items, office supplies, etc. If distributors can build out these catalogs of products and offer them up to facilities in addition to their core products, they may be able to pick up new business and help facilities do what they do best—serve and save patients.

But MSC is also taking steps to construct different at-work procedures in order to keep employees safe and follow local, state and national public health guidelines, CEO Erik Gershwind told Wall Street analysts on the company's recent second-quarter earnings call. "We have instituted enhanced safety procedures to safeguard their health and safety, including use of additional protective equipment and frequent cleanings of our facilities," Gershwind said. "Given we are providing essential services to many organizations on the front lines of the response to COVID-19, we do not have any plans at this time to shut down our customer fulfillment centers."

MANAGING FLUCTUATIONS IN CUSTOMER ORDERS

Many distributors say that business, depending upon the market or industry, is normal to even brisk—at least for now. At Bay Fastening Systems, an industrial distributor based in Farmingdale, New York, that's been selling a wide array of fasteners to big and small companies since 1961, the company's ecommerce business continues—so far. "It is too early for me to tell and we have not seen any changes in business," says chief operating officer Michael Eichinger. "Revenues remain flat for right now, and online orders have not changed."

Other online sellers say they've lost significant amounts of orders but have been able to replace at least some of them with new products and customers. FoodServiceDirect.com, a web-only distributor of food and foodservice equipment

and supplies, relies in large part on sales to restaurants that have closed their dining rooms during the pandemic. As a result, it has seen its B2B sales shrink from 75% to about half of its total sales. But it has seen an uptick in sales to hospitals and to consumers to help pick up the slack, says Adeel Murtaza, head of ecommerce technology.

Ecommerce and all electronic sales, which include all forms of digital commerce and electronic data interchange, are big business and a significant sales channel. In 2018, distributors and wholesalers generated total sales of about \$5.933 trillion, up 6.6% from total sales of \$5.568 trillion, according to the Commerce Department.

About 40%, or \$2.373 trillion, of all distributor and wholesaler sales of \$5.933 trillion in 2018 was done electronically through a range of digital channels, including electronic data interchange, ecommerce and e-procurement, among a few others. But the fastest-growing digital channel for distributors and wholesalers is electronic commerce, which increased 11% year over year in 2018 as total sales for distributors and wholesalers rose 6.6%.

THE VIRUS EXACERBATES MARKET PRESSURES

Before the coronavirus took hold, ecommerce was growing but at a slower pace for many distributors. And as this year unfolds with the virus pandemic, companies are dealing with ongoing market changes.

At MSC Industrial Supply, which has recorded steady gains in electronic sales over the past several years, ecommerce sales inched up barely in the first fiscal quarter ended Nov. 30, 2019, but remained virtually flat at \$499.9 million, compared with \$499.8 million in the year-earlier quarter. For the fiscal second quarter ended Feb. 29, ecommerce sales declined by 3.1% to \$478.7 million, as total sales fell by 4.5% to \$786.1 million. In March, the start of its fiscal third quarter, MSC saw an increase in sales before factory closings by its customers caused a significant drop in sales in the second half of the month, Gershwind said.

MSC is bracing for how the coronavirus will impact online and offline sales going forward, Gershwind told analysts on the Q2 earnings call. “We are reducing spending more broadly across the company, only moving ahead on operating and capital spending that is critical—we have ceased all hiring, cut expenses on items like outside resources such as consulting, and more. Looking ahead, we have well-developed contingency plans to reduce costs further if the situation deteriorates from here, as it very well may.”

Other distributors of all sizes also are bracing for a slowdown in online sales and can expect to see the coronavirus have a short-term—and long-term—impact on their business and operations, say ecommerce analysts. “The reality is that distributors and wholesalers with ecommerce in place are managing better than ones without,”

Daudt says. “The high demand is making it challenging for companies that underinvested in the digital channel in the past. Even digitally mature companies are having to make changes to adapt to demand.”

ADAPTING TO CHANGES IN MARKET DEMAND

Avnet Inc., a Phoenix-based global distributor of electronic components with nearly \$20 billion in annual sales, sells throughout the world under its Avnet and Farnell brands, including online sales through Avnet.com and Farnell’s Newark.com. Avnet designed its digital technology platform to handle surges from unexpected market disruptions, says Nishant Nishant, vice president of digital.

“In anticipation of a surge in online activity during such periods, our digital platform was set up with a content delivery network which ensures adequate caching and faster page-loading experience for our users,” he says.

When the coronavirus pandemic hit the U.S., one North America-based manufacturer and distributor of food and beverage products saw an initial surge in sales in some categories as consumers stocked up on food and beverages in preparation for shelter at home. Since then, it says, U.S. sales have slowed. Sales of snack foods in particular have been light. “People don’t seem to be snacking as much and sales of snack foods have been on the light side,” the company’s supply chain manager says. (The company

asked to remain anonymous, citing uncertainty about how its market will develop during the pandemic.)

The company, however, does not feel it has lost business, despite the slowdown in sales. “We’ve just postponed it,” the manager says.

To support its belief that business will come back, the company recently signed a new distributor in the U.S.; it also noted that many retailers are operating with skeleton staffs that should beef up once consumers resume normal activity.

One challenge the food-and-beverage manufacturer and distributor is facing is importing critical products from Asia, amid concern about the ongoing availability of supplies and a potential negative effect on sales over the long-term.

MANAGING SUPPLY CHAIN DISRUPTIONS

The pandemic has not hurt the company’s internal operations, however. It notes that some members of its supply chain staff are working from home, and the company recently deployed a new EDI platform that automates order-entry, purchase orders, invoicing and other transactions, increasing operating efficiency and improving service to customers, it says. “We can do our jobs better and service our customers better,” the supply chain manager says.

For most distributors, their biggest challenge now and going forward will be disruptions to the

supply chain, which in turn creates additional ecommerce hiccups for inventory management, customer service, fulfillment and delivery and website design among others, Daudt says.

“Supply chain disruption is a very real problem, and uncertainty leads to concerns regarding ongoing investment,” she says. “The single universal issue is uncertainty, which leaves many wondering what they should be doing—the availability of products is going to continue to be a big issue, simply because no one knows when this is going to end.”

ModMart.com, a wholesaler of gifts and home décor products to small retailers, has set out to find through the internet and other channels new suppliers of in-demand products—such as hand sanitizer and protective face masks—that its client merchants with closed stores can sell online or via curbside pickup. One new brand supplier, DecoMask, is providing custom-designed face masks featuring such images as lions and American flags.

“We are constantly looking for the best deals and having to find new suppliers every couple of weeks,” Quinn says. “Our goal is to maintain relations with our customers by making essential items available that they can sell to customers.”

Peter Lucas, a freelance writer for Digital Commerce 360 B2B, contributed to this report.

B2B COVID-19 REPORT: THE PERSPECTIVE OF BUYERS AND SELLERS

by Lauren Freedman

Editor's Note: In these turbulent times, first and foremost, we are thinking about all businesses, their employees and about their long-term viability. Our job as journalists is to share information and glean insights. Digital Commerce 360 surveyed 60 B2B companies to understand both the quantitative and qualitative components as they relate to coronavirus and business. As this is a fluid situation, it is important to remember that this data was collected the week of March 3, 2020, so perspective is recommended. A quick 15-question survey with topline findings, and why they matter most, is just the beginning. Before we turn to the numbers, we will share the most important information that B2B companies are hearing from their customers and the responses they are putting in place during this crisis. Following are survey answers, comments and concerns expressed by study respondents.

Survival is top of mind. “Our customers are retailers and brands, and a number of them may not survive,” one survey respondent said. Uncertainty runs rampant, and concern for where and when the next shipment will come. For some, concern for the future includes wondering when they will be reopen. There are problems with liquidity.

WHAT IS THE MOST IMPORTANT INFORMATION BEING SHARED BY YOUR CUSTOMERS RELATIVE TO COVID-19?

| | |
|---|----|
| Business status | 11 |
| Communication and policies | 8 |
| Uncertainty | 7 |
| Orders (cx, returns, changes) | 5 |
| Supply chain | 4 |
| Spending cuts/shifts | 4 |
| Sales, forecasting and long-term impact | 4 |
| Use ecommerce | 3 |
| Partnerships & connecting | 2 |
| Sales | 1 |

Current business status rises to the top as a concern for some B2B companies, as they are either not working or working from home. For some, more urgently, it's about when they will be open for business again.

Other companies note that they are still open for business and relying on their internet-based software-as-a-service, or SaaS, technology. Perhaps one company said it best: “Some clients are busier, others are slowing down, but no one is unaffected.”

Needs among B2B companies are constantly changing, orders are in flux and purchases are being delayed. Customers are taking a wait-and-see approach and cutting back. Cancellations run rampant, and companies are shifting their

spending, given the dire circumstances they face. For some, their business has evaporated and they are cancelling all orders and not placing new ones. One company shared that the education sector is deferring deliveries by about two months or cancelling orders outright; no one is confident that schools and the channel partners who serve them will resume normal operation even in fall 2020, the company said.

Spending cuts are standard fare. The focus is on essential items as a priority. Inventory visibility is paramount and forecasting of product demand, purchase cycles and stock inventory is essential. Beyond the here and now, one company expressed concern about the need to have a means of securing its supply chain once the outbreak is contained. One positive sign amid this turmoil is that some companies will take product that doesn't match their current specifications in order to get product quickly.

Ecommerce has played a more important role than ever. More of one B2B company's customers are asking their own customers to utilize their ecommerce websites to buy.

Connecting is invaluable and even therapeutic in these times. Empathy is the order of the day. Suppliers are letting them know they are here for their customers now more than ever.

Communication of policies and connecting is essential during these times, and one company

cited putting out "truthful updates." about product availability. We are partners and in this together, but partnerships are challenged and with government instructed closures, the inability to see sales reps is problematic.

BUSINESS INNOVATION AMID CORONAVIRUS: WHAT IS YOUR MOST INNOVATIVE RESPONSE RELATIVE TO COVID-19?

| | |
|---------------------|----|
| Creative solutions | 10 |
| Communication | 9 |
| Pivoting business | 7 |
| P&L (costs/revenue) | 4 |
| PPE production | 3 |
| Logistics | 2 |
| Payments | 2 |
| Supply chain | 2 |

Sellers are taking innovative measures to combat COVID-19, pivoting from current business models. They break out by eight areas of focus. It's empowering that there are so many creative solutions and that communication has been quickly put in place to connect with customers.

This includes such examples as shifting product mix to work-from-home essentials and to production of personal protective equipment, or PPE, such as masks. Some sellers report embracing B2C marketplaces and setting up curbside pickup to adjust to current circumstances. Not surprisingly, drastically cutting costs and reforecasting numbers to align with the current reality is also taking place. Sadly for some, operations are at a standstill.

Businesses are expressing their humanity, as shared by one company: “We are being empathetic to our customers’ needs and truly identifying the value we bring to them and their communities through our software and seeing if we can help beyond the numbers.”

Connecting with customers is at the core of business approaches, including one-to-one advisory coaching. Communication is cited by many, including one company that is writing to government officials to help put the virus in perspective, as opposed to an extreme response driven by panic and lack of critical thinking. Another shared that they are over-communicating with their customers that help is on the way, sharing what they are doing to protect their employees and that they are open and ready to support their customers in every way.

In the near-term, to keep partners afloat, sellers are offering longer payment terms and e-payment to replace cash-on-delivery. Companies are leveraging their skill sets, including one that is applying technology to provide out-of-stock alerts and adjusting settings in response to inventory demand.

Additional innovations:

- ▶ The creation of visualizations to depict demand around the country.
- ▶ Opening a chatbox for free assistance in data marketing 12 hours a day was also mentioned as a valuable tool for customers and may even be a powerful service longer-term.
- ▶ Another is providing quick-start offerings to help customer service teams regain control.
- ▶ Search and recommendations widgets to help retailers quickly beef up their online channel.

One company said it has decided to step up its focus on selling as a third-party (3P) seller on Amazon.com. “We have shifted gears and have accelerated our Amazon 3P rollout, with the intention of making it our largest revenue source in one year, as many existing B2C partners we sell through are expected to fail during this crisis,” the company said.

Pivoting to companies that are performing well was also suggested by a company that is working with larger grocery retailers to get supply chain assistance to support booming sales.

One company acknowledged that their heart is in the right place and that they are looking for ways to be part of the solution for other companies, but have not determined anything

significant. “Keeping our head down and using the time to get work done is most important in these times,” the company said. “Not innovative per se, but staying focused is critical to our long-term goals.”

One company is in it for the long-haul and is sharing with its trading partners real-time information and planning beyond the fourth quarter.

These approaches and innovations are welcome and we must remember: **Big or small, we are all in this together.**

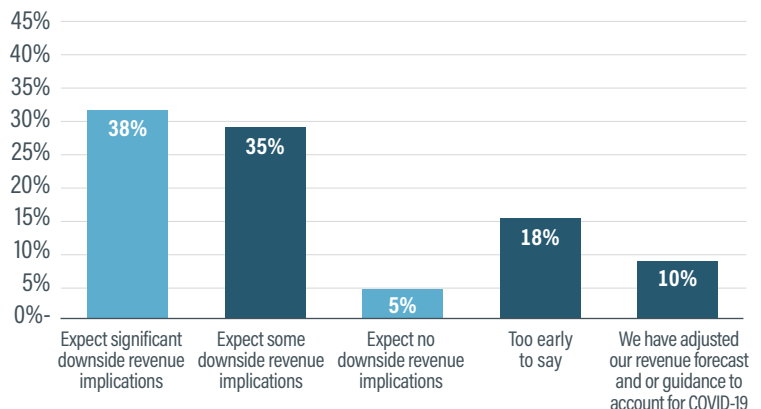
TOPLINE FINDINGS

73% of B2B companies expect COVID-19 to result in downside revenue

Almost all companies surveyed expect declines in revenue. In fact, some have already made adjustments to their revenue forecast and guidance. For those who indicate it is too early to tell, they, too, may be likely to end up seeing a downward curve. Current revenue implications are as follows:

- ▶ Down: 73%
- ▶ Flat: 5%
- ▶ Too early: 18%
- ▶ Adjusted forecast and/or guidance: 10%

HOW DO YOU EXPECT THE COVID-19 CRISIS TO AFFECT THE FINANCIAL PERFORMANCE OF YOUR BUSINESS? PLEASE SELECT ALL THAT APPLY.



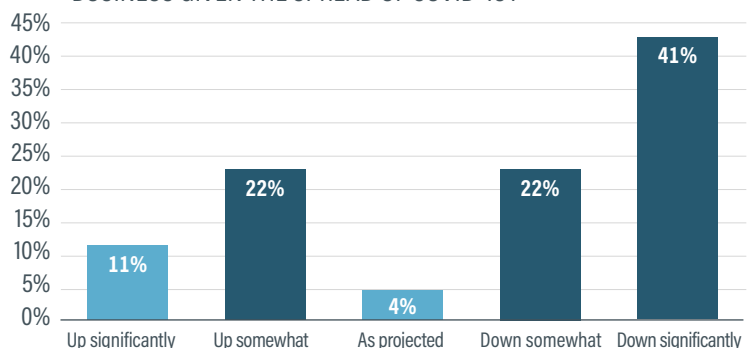
B2B ecommerce business has taken a hit with 63% of businesses reporting a downturn

Ecommerce impact shapes up as follows:

- ▶ Down: 63%
- ▶ Up: 33%
- ▶ Flat: 4%

Interestingly, while B2B ecommerce mostly follows a downward curve, one in three companies surveyed sees an upward trend in their business as the performance varies by sector.

WHAT IMPACT HAVE YOU SEEN TO DATE ON YOUR B2B ECOMMERCE BUSINESS GIVEN THE SPREAD OF COVID-19?



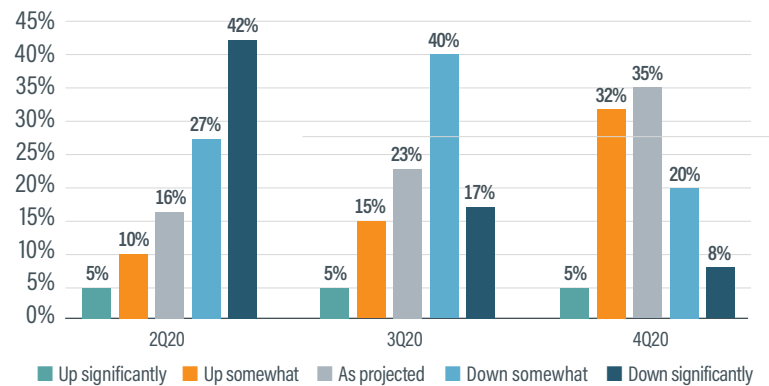
Revenue projections are challenging for Q2 and Q3 with expectations for flat performance and an upward curve seen in Q4.

While these projections are mostly down for the next two quarters, optimism prevails in the fourth quarter with predictions of upward revenue and, at a minimum, flat performance.

Companies are taking at least some action across the board though they are more aggressive when it comes to customer service.

As Covid-19 plays out, companies who may initially be taking limited action can expect to be more aggressive as they further understand the implications on their future business performance.

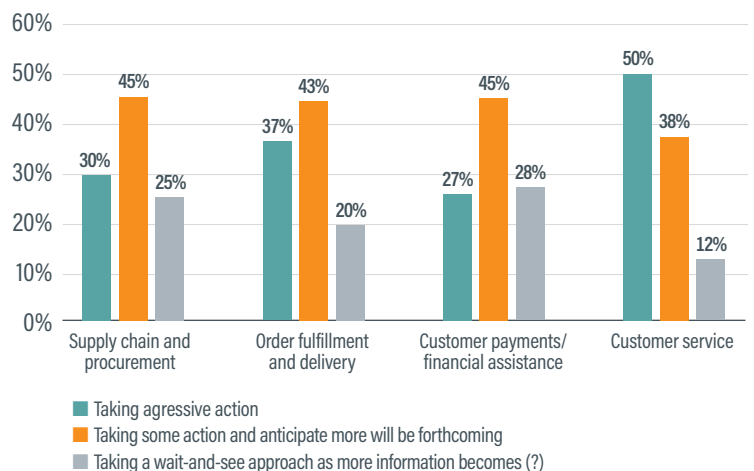
WHAT ARE YOUR REVENUE PROJECTIONS OVER THE COMING YEAR?



REVENUE BY QUARTER

| | 2Q20 | 3Q20 | 4Q20 |
|------|------|------|------|
| Up | 15% | 20% | 37% |
| Flat | 16% | 23% | 35% |
| Down | 69% | 57% | 28% |

HOW WOULD YOU DESCRIBE THE LEVEL OF ACTION YOU ARE TAKING FROM EACH OF THE FOLLOWING PERSPECTIVES RELATIVE TO COVID-19??



Q4 ACTION LEVEL

| | 2Q20 | 3Q20 | 4Q20 |
|--|------|------|------|
| Supply chain and procurement | 30% | 45% | 25% |
| Order fulfillment and delivery | 37% | 43% | 20% |
| Customer payments/financial assistance | 27% | 45% | 28% |
| Customer service | 50% | 38% | 12% |

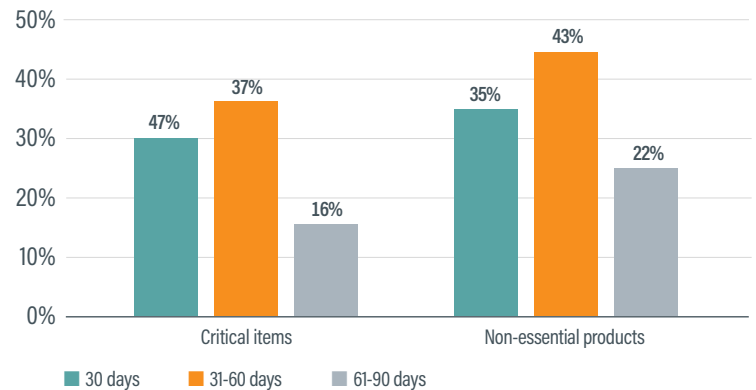
Critical items will be in short supply with non-essential products also limited in their availability.

Supply chain status tends to be in the 30-60-day range, with non-essential products seeing slightly longer availability windows.

Communication and coordination with suppliers to assess the supply chain and make contingency plans tops the list of company actions.

Planning is central to survival, and that means evaluating the existing supply chain and preparing for future challenges and business demands. Technology is smartly being leveraged to monitor the supply chain. Additionally, marketplace programs are under scrutiny given the fluid nature of programs.

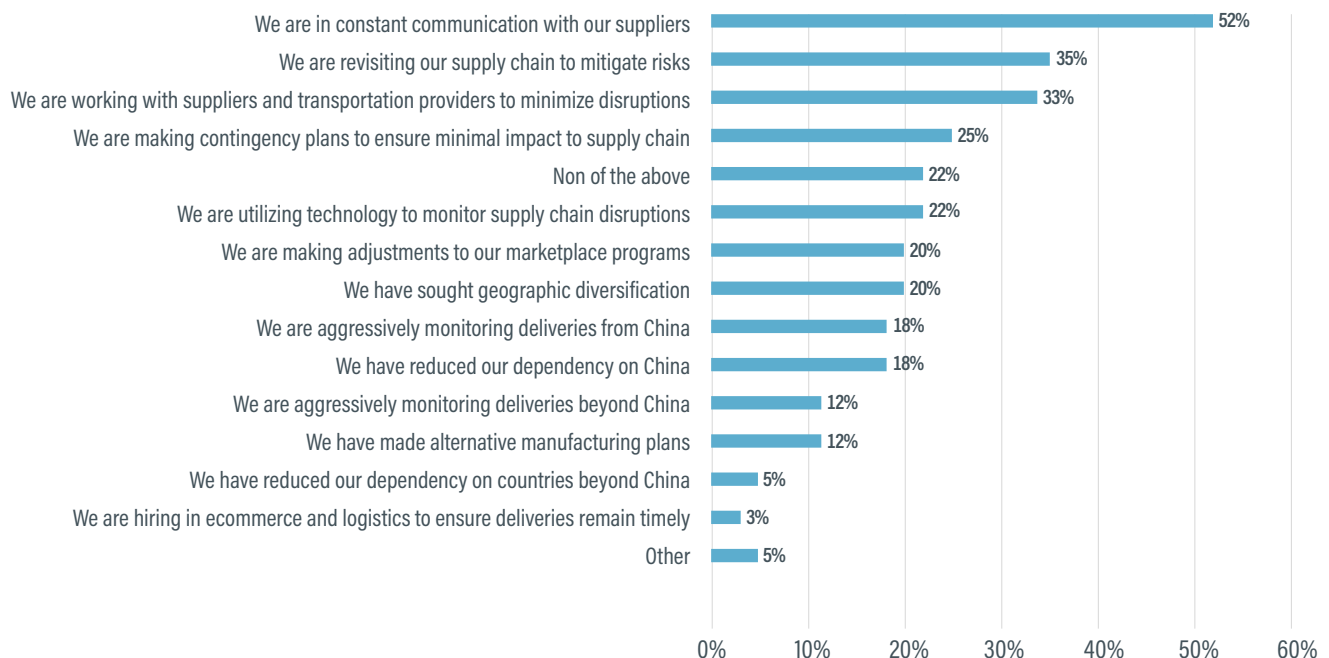
WHAT IS THE CURRENT INVENTORY STATUS FOR EACH OF THE FOLLOWING TYPES OF PRODUCTS?



Q5 INVENTORY STATUS

| | 2Q20 | 3Q20 | 4Q20 |
|------------------------|------|------|------|
| Critical items | 47% | 37% | 16% |
| Non-essential products | 35% | 43% | 22% |

WHICH OF THE FOLLOWING SUPPLY CHAIN-RELATED ACTIONS ARE YOU TAKING AS A RESULT OF THE ACCELERATION OF COVID-19? PLEASE SELECT ALL THAT APPLY.



B2B companies are reforecasting numbers based on declining consumer confidence, inventory challenges and business climate.

Key findings on strategies and expectations across three of the critical areas of revenue, inventory and traffic:

Revenue

- ▶ Re-forecasted future revenue: 48%
- ▶ Updated sales outlook: 48%
- ▶ Consumer confidence declining: 47%
- ▶ Adjusted financial guidance: 37%
- ▶ More ecommerce business: 20%

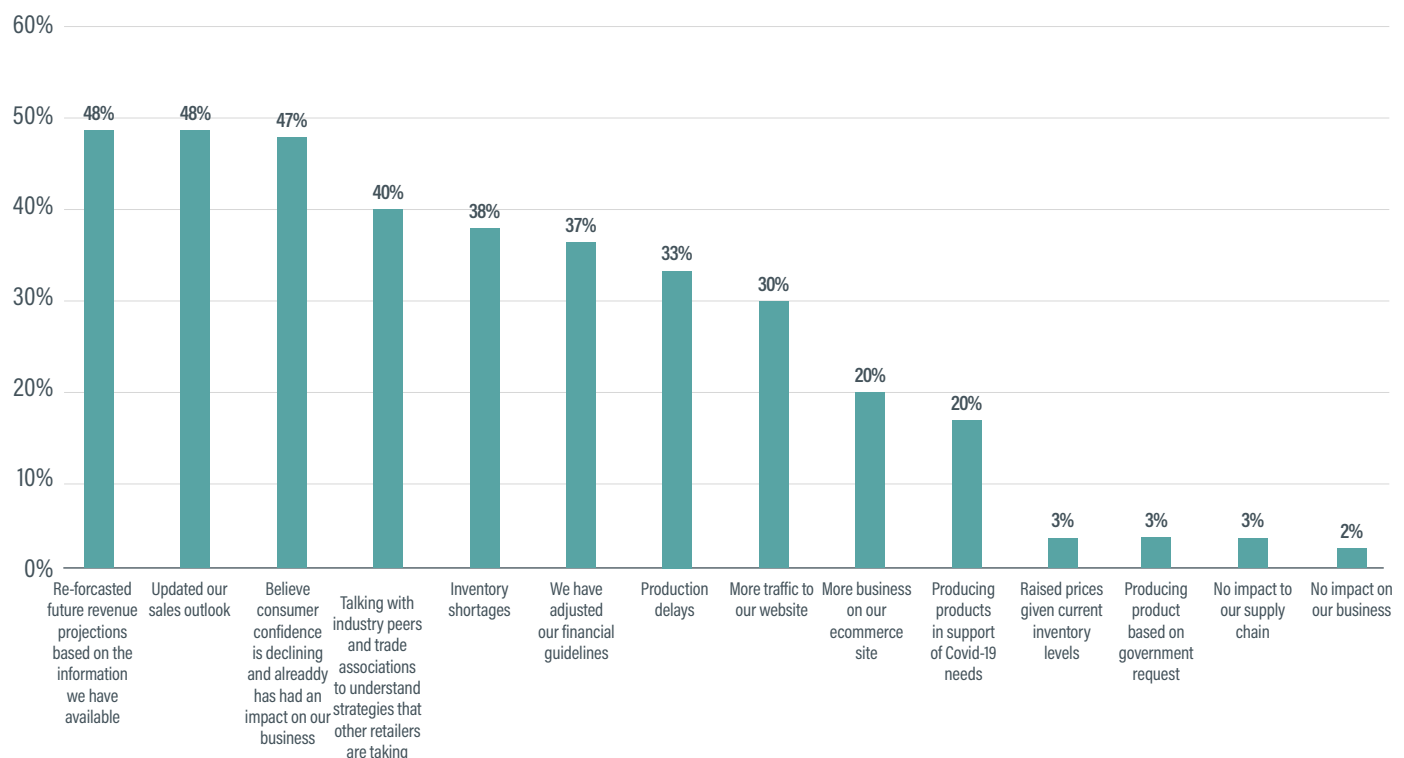
Inventory

- ▶ Shortages: 38%
- ▶ Production delays: 33%
- ▶ Producing products for COVID-19: 17%

Traffic

- ▶ More traffic to our website: 30%

WHICH OF THE FOLLOWING HAS ALREADY BECOME A REALITY AS COVID-19 HAS GROWN IN SCOPE ACROSS THE U.S. AND ABROAD? PLEASE SELECT ALL THAT APPLY.



Firmographics

60 B2B companies participate in Digital Commerce 360's online survey.

Employees

| | |
|----------|-----|
| Under 50 | 43% |
| 51-99 | 8% |
| 100-499 | 22% |
| 500-999 | 5% |
| 1000+ | 22% |

Annual Sales

| | |
|----------------------|-----|
| < \$10 million | 43% |
| 10.1-\$25 million | 15% |
| \$25.1-\$50 million | 5% |
| \$50.1-\$100 million | 15% |
| 100.1-\$500 million | 6% |
| \$500.1-\$1 billion | 0% |
| > \$1 billion | 15% |

Total B2B Sales

| | |
|---------------------------------|-----|
| \$10 million or less | 68% |
| 10.1 million to \$25 million | 13% |
| \$50.1 million to \$100 million | 5% |
| 100.1 million to \$500 million | 5% |
| \$500.1 million - \$1 billion | 2% |
| More than \$1 billion | 7% |

B2B web sales as a % overall B2B sales

| | |
|---------|-----|
| 1-5% | 35% |
| 6-10% | 17% |
| 11-20% | 11% |
| 21-49% | 15% |
| 50-74% | 2% |
| 75%-99% | 8% |
| 100% | 12% |

Vertical

| | |
|------------------------------------|-----|
| Software | 30% |
| Consumer products | 15% |
| Hardware/Home Furnishing | 13% |
| Computers/Electronics | 10% |
| Industrial Equipment and Supplies | 10% |
| Solutions provider/consultant | 8% |
| Other | 7% |
| Office supplies | 7% |
| Medical Equipment and Supplies | 5% |
| Automotive & Food/Beverage/Grocery | 3% |
| Healthcare/Pharmaceutical | 2% |

DEALING WITH PANDEMIC PRESSURES ON ECOMMERCE TECHNOLOGY

by Paul Demery

As businesses in multiple industries face disruptions in their markets, many are seeing surges in ecommerce orders while others are facing steep downturns. Either way, many are taking a hard look at the state of their ecommerce technology and related infrastructure.

The onset of the novel coronavirus and its

deadly COVID-19 disease was nearly a year away when Partsmaster.com relaunched in early 2019 as a more useful and customer-friendly ecommerce site for the sale of business and industrial products.

But the new ecommerce site—built to simplify the addition of new customer accounts, quicken online purchasing, and scale quickly on cloud infrastructure—has turned out to be just what Partsmaster, a division of manufacturer NCH Corp. that distributes maintenance, repair and operations (MRO) products, needed to handle an unexpected rush of customer orders brought on by the virus pandemic.

In ecommerce, it pays to get a head start on market disruptions. Especially disruptions that send legions of customers online to purchase critical supplies.

PREPARED TO MEET DEMAND

“Having the ability to scale up is very important,” says Robert Debault, Partsmaster’s software



‘Knowing that we can scale up so effortlessly has allowed us to focus

on providing great content and not patching infrastructure.’

—Robert Debault, Software Architect,
Partsmaster Division of NCH Corp.

architect, who oversees Partsmaster’s ecommerce technology and operations.

He notes that Partsmaster has been dealing with sudden increases in both its ecommerce and traditional offline channels through sales representatives, and that its mix of ecommerce technology and cloud-based data-management infrastructure has kept things operating smoothly. “We do not anticipate needing to modify our ecommerce platform during this pandemic,” he adds.

Working with his team of digital commerce technology and services providers—including Episerver Inc. for its ecommerce and content management software, Salesforce.com Inc. for customer relationship management and marketing technology, and Brilliance Business Solutions as its web design agency and systems integrator—Partsmaster has built out a digital technology roadmap and strategy that has put it on track to handle market disruptions, Debault says.

Among its recent website improvements are the ability to more quickly add new customer accounts and to display more products on its site that are facing increased demand, such as the personal protective equipment (PPE) it provides to the food and beverage industry.

MANY SIDES TO COVID-19 DISRUPTION

Not all businesses, of course, are swimming along in a rush of new customers and higher order volumes, even if they've recently upgraded their ecommerce platform. Many including Partsmaster are working harder to manage supply chains, maintain inventory levels, drive fulfillment and provide good customer service and communications. And some are using a sudden drop in sales activity to configure and test new technology features like chatbots, SMS messaging and better inventory management during normal business hours, says Mike Stokes, director of customer engagement solutions at digital transformation consultants Perficient

Digital. Such tools will help near-term increases in sales, and “when they come out on the other side of the pandemic, they’ll have new ways to interact with customers,” Stokes says. “It’s an opportunity to reinvent and leapfrog the competition.”

Digital commerce experts also note that the broad pandemic-caused market disruption and its work-at-home requirements is pushing companies further along into digital commerce deployments, as they realize the importance of having a digital channel as an alternate to the traditional channel of selling via teams of sales reps who meet in person with customers.

“This is absolutely pushing more companies into digital commerce, and pushing forward digital transformation as a priority,” says Andy Wagner, executive director at digital commerce agency and systems integrator AAXIS.

A NEW LOOK AT A TRADITIONAL SALES MODEL

It’s also forcing more B2B companies to reconsider their reliance on the traditional model of generating much of their revenue through the interpersonal contacts of sales reps and customers, he adds.

“Particularly in the B2B space, most manufacturers and distributors still have a significant field sales team that drives a large percent of revenue, it’s still a very traditional model,” Wagner says. “Oftentimes we hear from

companies that they know they need to develop ecommerce, but they take it slowly because no one wants to mess with the field sales team. I think that's all going to change as a result of this pandemic."

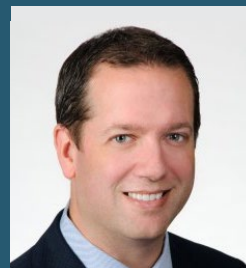
Paul do Forno, managing director for customer experience and commerce at agency and systems integrator Deloitte Digital, which works with major manufacturers and other corporations, says more companies are beginning to realize they need to take a harder look at building out a comprehensive ecommerce technology system with a complementary strategy for improving how they interact with and serve customers. "We're looking at, across the board, this could be a pivotal moment," he says.

A GOOD TIME TO REBUILD ONLINE TECHNOLOGY

Indeed, there are many reasons why now is a good time to develop or further enhance a digital commerce infrastructure and supporting strategy, experts say. The widespread availability of core areas of technology developed and expanded on in recent years—notably APIs, microservices and cloud technology—are enabling companies to more easily configure and deploy customized ecommerce platforms and ecosystems that are flexible and scalable.

The widespread use today of application programming interfaces, or APIs, support customized ecosystems that integrate customer-

TIPS FOR HANDLING SURGES—AND SHORTAGES



—Jason Daigler,
Vice President and Analyst
covering digital commerce,
Gartner, Inc.

- **Use peak-season preparedness checklists** to plan for increased traffic to sites and apps. Just as many companies do prior to the holiday season's Cyber Week, sellers should engage with their commerce platform providers, hosting providers, and commerce application ecosystem vendors to ensure adequate bandwidth and vendor support are allocated to their solutions.
- **Re: Inventory supply and shortages**, it's crucial for online sellers to consider setting maximum order quantities for products with limited supply. This equitable process will help to satisfy as many of their customers as possible and prevent one buyer from taking the entire supply. Similarly, it will be important for sellers to set expectations properly for extended order processing and shipping times. They should advise buyers to expect delays as logistics systems are strained while doing their best to estimate arrival dates.

facing ecommerce applications with back-end systems for managing customer transaction activity and inventory availability, displaying such crucial information to customers; APIs also support the development of individual microservices, such as website features that calculate shipping cost and delivery time for a customer's order, and sophisticated configure-price-quote systems that let customers custom-configure complex equipment and get a price quote before ordering.

Unlike the legacy systems that many companies may still rely on, API/microservices-based features can be modified or upgraded with revised APIs and related tools without having to conduct a massive software overhaul, experts say.

SCALE UP OR LOSE OUT

But they do require a scalable technology infrastructure. As APIs generate large volumes of data calls with databases and applications to support website features—such as personalized product catalogs that pull a customer's contract pricing from a database—the selling company's internet infrastructure must be able to quickly scale up without causing any hiccups to interrupt the customer experience.

In addition, as a seller attracts high volumes of orders through several customer-facing applications, including ecommerce sites, mobile apps, procurement software and internet search ads, their back-end order management system

- ▶ **Deploying chatbots or virtual customer assistants** during this time, or adjusting the knowledge bases tied to their existing customer service systems, can answer common questions related to COVID-19, such as delivery timeframes, returns, and refunds, among others.
- ▶ **Internet-of-things devices**, specifically those with sensors that provide feedback on usage and maintenance requirements, can play a critical role during a crisis. They can help sellers plan inventory more effectively and help owners of the products more effectively prepare for maintenance and replenishment.
- ▶ **Artificial intelligence** can also play an important role in planning, but it is important to have a plan in place to “override” the AI in times of crisis. In some cases, it can take days or weeks to train an AI engine to accurately respond. In rapidly evolving situations like the COVID-19 outbreak, digital commerce practitioners must have the ability to make manual adjustments outside of the AI engine.

will likely have to scale up its processing ability to keep up with the flood of orders.

For companies deploying or upgrading their ecommerce platforms, order management and ERP systems today, they have the advantage of going with the commonly deployed cloud-based systems that are designed to scale up with computer power and data storage in the huge web server farms that make up the cloud.

GETTING VALUE OUT OF LEGACY ERP SYSTEMS

But that can leave companies operating on old legacy systems at a disadvantage if their back-end order management, ERP and warehouse management systems can't as easily scale up with cloud technology to process surges in orders. "If you can't scale your back-end while scaling the front end, you have a problem," Wagner says. "The front end will scale up with orders and overwhelm the back end."

AAXIS and other companies address this void by deploying what Wagner describes as an "elastic layer" of software that manages the flow of orders between modern ecommerce applications and legacy order management systems.

Additional critical elements for handling increased demand for products—as well as for introducing new or expanded product lines to attract more buyers and sales—include product information management (PIM) and data asset



Lori McDonald, CEO of Brilliance Business Solutions, which worked with Partsmaster to design its ecommerce site and integrate it with its ERP system.

management (DAM) technology applications to ensure consistent and accurate distribution of product descriptions and such digital files as product images and product demonstration videos.

SURGING WITH THE CLOUD

Partsmaster, as the MRO products distribution division of manufacturer NCH Corp., distributes industrial MRO products across several industries. Partsmaster.com relies on a mix of technology from Episerver and Microsoft Corp. to scale up its ecommerce platform and maintain site performance and good online customer experience, Debault says.

"Like many companies in the B2B space, Partsmaster has thousands of products with different prices for different customers," says Lori McDonald, CEO of Brilliance Business Solutions, which worked with Partsmaster to redesign its website and integrate it with its back-end Prelude ERP system.

Before the redesign, Partsmaster operated a relatively rudimentary online ordering site that was separate from its product content site—a

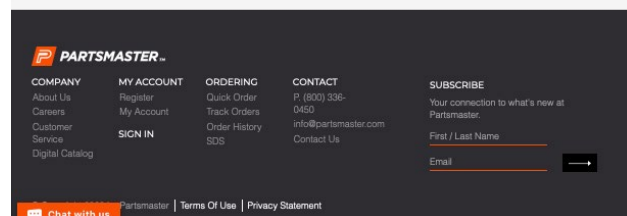
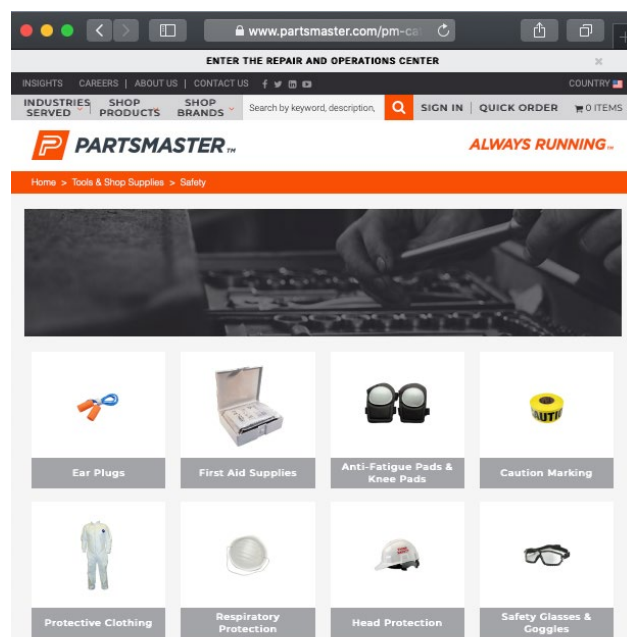
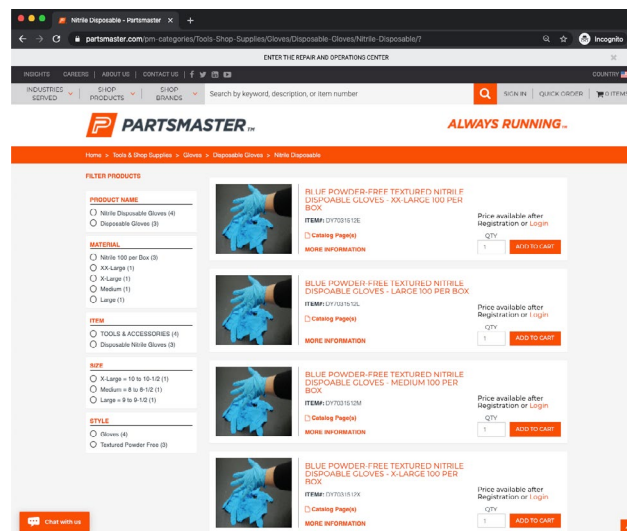
type of set-up that is not uncommon among B2B companies. The newly designed platform combines ecommerce transactions and content management on a single site, providing for a much-improved online purchasing experience for customers, Debault says.

KEEPING SALES AND SERVICE AGENTS IN THE GAME

In addition, he adds, the new platform is also designed to provide access to customer and product data that helps sales reps and customer service agents—a crucial aspect for Partsmaster, which still maintains its tradition of providing customers a high level of personal contact for sales and service.

A core part of the platform's value, Debault says, is its Episerver DXP, or digital experience platform. DXP, which is based on Microsoft's Azure cloud technology, includes cloud-based databases, data storage, web apps, content delivery network services, and the Episerver Search & Navigation enterprise site search system. (Episerver DXP was formerly known as DXC.)

That cloud-based technology makes all of those components scalable to handle sudden changes in website activity, such as during the virus pandemic as well as more typical market fluctuations, Debault says. "Having the ability to scale on the fly is very important," he adds. "We have had to scale up several times since we launched this ecommerce platform, and



Safety products category pages on Partsmaster.com.

knowing that we can scale up so effortlessly has allowed us to focus on providing great content and not patching infrastructure.”

ON-BOARDING NEW CUSTOMERS—FAST

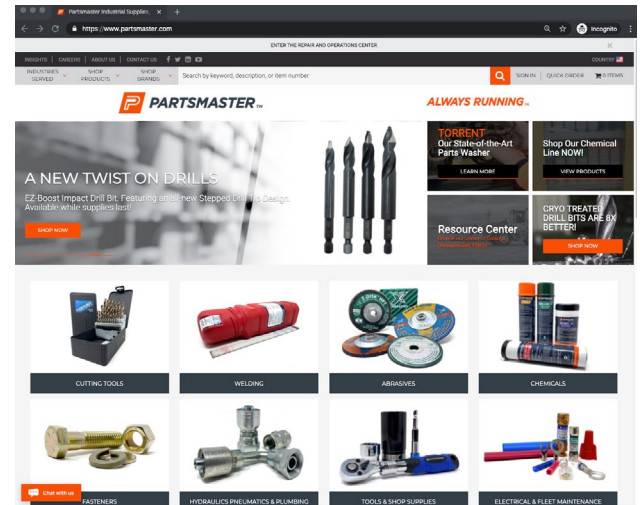
In addition to an improved ability to add displays of hot product categories, such as PPE during a pandemic, the new ecommerce platform supports other crucial services and website features. One is the online service for adding on new customer accounts, which has been particularly useful of late.

“Usually when companies think of going more digital, they may keep the process of processing new customer accounts a more manual process,” McDonald says. “But Partsmaster automated that to create orders faster. Now customers can go to Partsmaster.com, indicate they’re a new customer and place an order. For many other B2B companies, new customers would have to fill out a form and wait for someone to get back.”

Partsmaster’s cloud technology platform also supports operations that complement its digital commerce, notably its sales and marketing teams, Debault says.

AN ALL-CLOUD TEAM

“Our cloud-based platforms—Episerver, Salesforce CRM, Salesforce Marketing Cloud, and Microsoft Teams—are proving to be a great combination,” he says. He adds that the Episerver ecommerce site is directly integrated with Partsmaster’s order management and CRM



The Partsmaster.com home page.

systems, providing for efficient processing of customer orders and keeping up with customer account activity. “By utilizing these tools, we continue to provide the level of service our customers have come to expect,” Debault says.

“One additional benefit,” he adds, “is that we also use these same tools to communicate with our sales and customer service associates. Each customer service associate has access to Salesforce information, inventory status, fulfillment information, customer information and access to key fulfillment personnel to mitigate problem situations on the fly.”

Such capabilities are critical for keeping customers happy at any time, of course, but especially during the kind of rare market disruption caused by COVID-19.

“In times like this, with a newly distributed workforce, communication is key,” Debault says.

U.S. ECOMMERCE SALES RISE 38% SINCE THE BEGINNING OF MARCH

by April Berthene

The coronavirus spurs online grocery sales to increase 100% since the start of March. Plus, buy online pick up in store orders have increased 62% year over year, according to new data from Adobe Analytics.

Online sales in the U.S. have increased 38% on average for daily sales March 12-31 compared with average daily sales March 1-11, according to Adobe Analytics. The growth is largely due to a boost in online grocery sales, which have increased 100% in daily online sales March 13-15 compared with average daily sales March 1-11.

Adobe Analytics data is based on online sales data from trillions of anonymous visits to retail sites and tens of millions of product SKUs from 80 of the top 100 retailers in the Digital Commerce 360 Top 1000. Data is based on 18 product categories including apparel, electronics, home, grocery, appliance, personal care, office supplies, books, jewelry, furniture and toys, among others.

Not only are online sales growing, but so are pickup orders, Adobe Analytics finds. The number of orders shoppers have bought online and picked up in store has also increased 62% year over year during Feb. 24-March 24.

The reason why online sales are up so much is clear—the coronavirus pandemic has many U.S.



consumers at home and shopping at home.

“U.S. consumers are turning to ecommerce more during the COVID-19 outbreak due to the fact that social distancing measures and shelter-in-place orders have made online shopping more convenient or in some cases, the only way to get the goods they need,” says Taylor Schreiner, director of Adobe Digital Insights.

While consumers have been shifting their purchasing more to online from stores over the past few years, the pandemic has accelerated this shift, Schreiner says.

Adobe Analytics did not provide comparable year-over-year online sales. But for the first quarter of 2019, online sales increased 11.9% year over year, according to the U.S. Department of Commerce. The elevated levels of online shopping in the U.S. will likely continue as long as shelter-in-place orders remain in effect, Schreiner says.

“The big unknown is whether consumers who become used to more online shopping will stick with it, even when social distancing measures are removed,” Schreiner says.

Besides grocery, Adobe Analytics also found order spikes in the following product categories on March 11 compared with average daily sales in January:

- ▶ 807% increase in sales for virus protection products, such as hand sanitizer, gloves, masks and anti-bacterial sprays
- ▶ 231% increase in toilet paper sales
- ▶ 217% increase in over-the-counter drugs, such as cold and flu medicine and pain relievers
- ▶ 87% increase in non-perishable, canned and shelf-stable foods

This data dovetails with data from marketing platform Emarsys and analytics platform GoodData. As of March 30, ecommerce sales

from pure-play ecommerce retailers are up 34% year over year in the U.S. and Canada, and the number of orders has increased 52% year over year, according to the data, which is based on more than 1 billion consumers and more than 400 million orders from 2,500 businesses in 120 countries. For retailers that are mostly store-based, online sales have increased 14% year over year and the number of orders increased 32% year over year.

Plus, as more gyms and fitness centers close to the public, shoppers have increased their spending for at-home fitness equipment. Online orders for fitness products, such as kettlebells, dumbbells and treadmills, have increased 55% March 11-15 compared with March 1-10, according to Adobe Analytics.

However, not all non-essential categories have had increased online sales boosts. Average daily sales for apparel have decreased 13% March 12-25 compared with average daily sales Feb. 1-March 10. Adobe Analytics notes that many large apparel retailers have run promotions, which helped the category and kept spending flat for those retailers.

Shoppers may have decreased their spending because of economic concerns, according to data from financial services publisher Bankrate LLC. 52% of U.S. consumers say they cut spending because of concerns about the economy or the stock market, according to a March 20-24 survey of 2,468 consumers.

Adobe Analytics also finds that some states have larger online sales increase than others. Online sales from shoppers in New York, California, Ohio, Oregon and Washington have increased 20% or more for average daily sales March 13-15 compared with average daily sales Feb. 1-March 10. These states had the largest jump in ecommerce sales likely because they had early outbreaks of COVID-19 and shelter-in-place orders began earlier there than other states, Schreiner says.

And as more consumers are ordered to stay at home, ecommerce sales are likely to remain more elevated than normal. In fact, 94% of shoppers say online shopping will be essential during the coronavirus crisis, according to research from consultancy Retail Systems Research and web acceleration and optimization software Yottaa, which is based on a survey of nearly 1,200 U.S. adults at the end of March.

The survey finds:

- ▶ 93% say they expect to shop online either more (60%) or at the same level (33%) as they did before the outbreak.
 - ▶ The top three things respondents feel will make shopping online more difficult during the crisis are unavailable inventory, no free shipping options and slow websites.
-
- ▶ 90% of shoppers are hesitant to shop in stores due to the coronavirus.
 - ▶ The majority of shoppers will either not shop in stores at all or will only do so if absolutely necessary.
 - ▶ 45% say online shopping will be a necessity for them to live their daily lives during the crisis.

THE CORONAVIRUS IMPACT ON AMAZON SELLERS

by Fareeha Ali

Consumers continue to turn to Amazon to shop, particularly for essential household goods and groceries, during the coronavirus pandemic. But shipping delays and Amazon marketplace fulfillment restrictions are hurting sales for some Amazon sellers, who are now looking for alternatives.

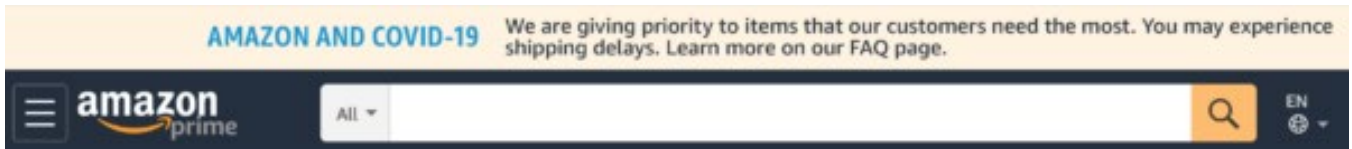
Amazon.com Inc. marketplace sellers are adapting to the changing retail landscape as the coronavirus, which causes the COVID-19 disease, becomes more widespread in the U.S. and worldwide. The impact of the pandemic on marketplace sellers varies based on many factors, including what categories the merchant sells in and how dependent the seller is on Amazon's fulfillment services.

36% of retailers say they are making adjustments to their marketplace strategy as a result of the coronavirus pandemic, according to a Digital Commerce 360 survey of 107 retailers during the last week of March. Based on a number of interviews Digital Commerce 360 has had with retailers, brands and Amazon experts the last several weeks, merchants have to—and will continue to—make adjustments to their Amazon business as Amazon's restrictions on shipments change.

On March 16, Amazon announced it will temporarily suspend shipments of “non-essential” products to its Fulfillment by

Amazon (FBA) warehouses from its third-party marketplace merchants in the U.S. and EU. With FBA, Amazon stores sellers' products in its warehouses and delivers the products to consumers. When sellers use FBA, their products are a part of Prime, Amazon's loyalty program that offers 2-day free shipping, free streaming of TV shows and more.

Shipments to Amazon fulfillment centers were suspended through April 5, and Amazon was only accepting new inventory of products that fall in household staples, medical supplies and other high-demand categories. As of April 6, Amazon has not fully lifted the freeze on shipments of non-essential items to FBA warehouses. However, Amazon has told some marketplace merchants that Amazon is selectively allowing more products to its facilities where there's capacity, Amazon told Digital Commerce 360. This applies to both merchants that sell on Amazon's marketplace (third-party merchants) and brands that sell wholesale to Amazon (first-party merchants).



A message displayed on Amazon's homepage regarding the coronavirus.

Here's Amazon's statement to Digital Commerce 360 on April 3:

"We understand the impact that COVID-19 has had on many of our selling partners and appreciate their understanding as we implement extensive health and safety measures across our network and focus our available capacity on high-priority products that customers need and want at this time. We know this is a change for our selling partners and are working hard to help them during this difficult time, including waiving certain fees, pausing loan repayments, providing regular updates and guidance via direct communication channels, and relaxing our policies around shipping-related performance metrics to mitigate impact on their account health. As we begin to selectively bring in more products to our fulfillment centers while maintaining health and safety measures, we have launched new tools for sellers to check which products are eligible on an item-by-item basis."

Amazon hasn't explicitly announced shipment delays of non-essential items to consumers; however, there's a banner on Amazon.com that says, "We are giving priority to items that our customers need the most. You may experience shipping delays." For a number of non-essential

items, Amazon is quoting delivery guarantees of a few weeks, much longer than its usual 2-day delivery window.

HOW AMAZON SELLERS ARE RESPONDING

MPO Global, a retailer and Amazon seller that sells products across different essential and non-essential categories, has made a number of strategic shifts in the past month, says CEO David Rifkin. The merchant sells products such as disinfectant sprays, microfiber products, anti-aging facial creams and pet odor sprays.

Around March 9, Rifkin turned off the automated repricing software that changes the prices on Amazon products based on competitor products; stopped shipping to countries outside of the U.S. and Canada; converted FBA items labeled as Prime that would run out of stock from Amazon warehouses to merchant-fulfilled (so the products are fulfilled from MPO Global's warehouse); and updated product listing pages to remove any language that made any FDA (Food and Drug Administration) or EPA (Environmental Protection Agency) claims.

"We are FDA- and EPA-approved and have all the documents to prove it," Rifkin says, but he wanted to avoid Amazon removing MPO Global's products that make such claims. In his experience, Amazon does this to kick off the

sellers selling fake goods, knowing there's a big demand from consumers. "Amazon just removes listings without telling you and then it could take days or weeks to send them proof to get your listing back up, resulting in lost sales," he says.

MPO Global typically uses the repricing software so its products are priced in-line with competing products. Now it is manually checking competitors' pricing multiple times a day and updating prices. Because essential items are in high demand, he predicts new competitors will join Amazon to sell those products and many sellers will run out of stock. Both instances could lead to MPO Global's pricing to spike up or drop down too low if it were to use its automatic repricing software. Not relying on automatic repricing software gives MPO Global more control over its prices since competitor prices are unpredictable during this time. Prices on MPO Global's products were not changed compared with pre-pandemic prices, even with the higher demand, Rifkin says.

For catnip and cat toys brand Meowly Janes, which primarily sells on its own website and Amazon, sales are down about 30% on Amazon compared with an average day. The company expected to lose more by now, owner-operator Carly Hendra says. They are averaging 175 units per day sold versus the typical 250 this time of year.

The biggest shift the brand made in the last month was converting its product listings to

seller-fulfilled shipping from FBA, or Fulfillment by Amazon. Meowly Janes made the shift as a result of Amazon freezing shipments of non-essential items to its warehouses. Prior to the pandemic, 95% of Amazon sales volume was FBA and now more than 75% is fulfilled by the merchant.

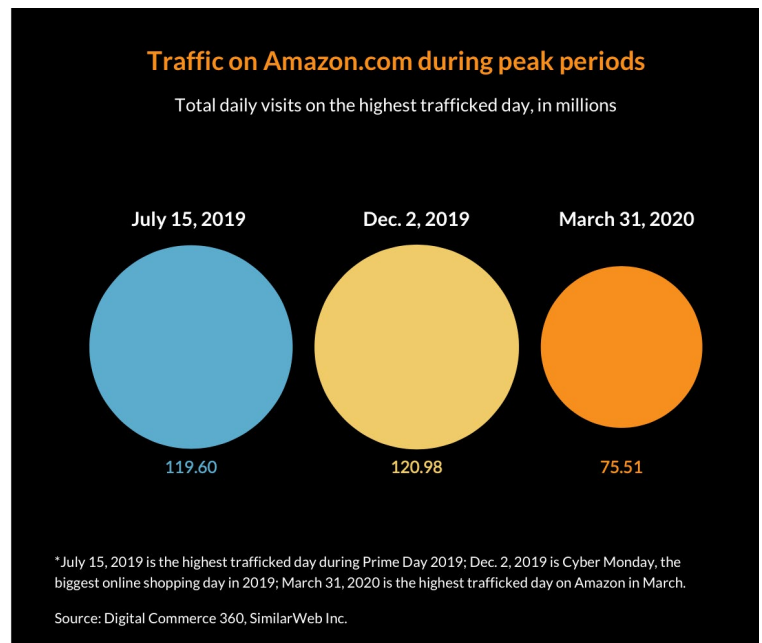
"We as the [husband and wife] owners have taken on all of the duties of order processing and shipping for the time being to keep the business going," Hendra says. "We are lucky that our products are small and we are careful setting the quantities available so that our local post office can handle the packages going out daily."

DATA TRENDS ON AMAZON SINCE THE CORONAVIRUS OUTBREAK

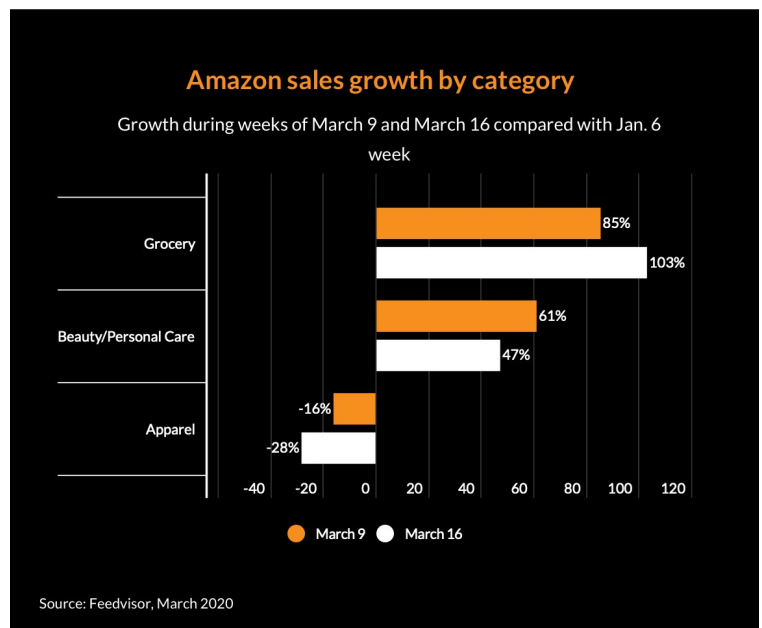
The coronavirus outbreak has forced many retailers to shut down store operations and push consumers to their websites. As a result, even more consumers are turning to Amazon for essential and non-essential items. Between March 5-31, total daily visits on Amazon.com were up 9.4% from the beginning of the month to the end of the month, or 6.50 million visits, to 75.51 million visits, according to traffic data source SimilarWeb Inc. During the same period in 2019, traffic remained steady at 69 million.

Amazon cited "increased demand" as a reason for delayed shipping times of some items, but this elevated traffic is still a lower number of visits compared with other peak periods where there's

increased demand, such as the holidays. Data shows that Amazon's traffic during its peak periods of Prime Day and the 5-day period starting Thanksgiving Day through Cyber Monday is still much higher. During Prime Day 2019—its annual 2-day global sales event, which spanned July 15–16 in 2019—total visits were 119.60 million and 104.93 million, respectively. During the Cyber 5, total daily visits on Thanksgiving Day, Black Friday and Cyber Monday were 102.52 million, 124.82 million and 120.98 million, respectively. SimilarWeb's data only includes site traffic and does not include app shopping.



A look at sales of products broken down by categories shows clear winners and losers, according to data from marketplace technology vendor Feedvisor. During the week of March 16 compared with the week of Jan. 6, grocery sales on Amazon.com increased 103%, beauty and personal care items increased 47% and apparel products decreased 28%. Grocery increased at a faster rate compared with March 9 (85% increase from the week of Jan. 6), while apparel sales declined less during the same time (16%).



Feedvisor's data is based on 7.5 million products on Amazon, which for more than \$2 billion in annual sales, according to the company.

Quick tips for Amazon sellers during the coronavirus pandemic:

- ▶ Daven Brodess, co-founder and managing partner of DTC Retail, a consultancy that helps retailers and brands sell on Amazon, advises sellers to evaluate ad spend and promotions. “If your inventory is constrained and starting to run low, it might be worth pausing any promotional programs you are offering and turning off or reducing ad spend to focus on profitability for the inventory you do have,” Brodess says. If supply isn’t an issue, this could be an opportunity to increase ad spend and gain market share in that product category.
- ▶ Additionally, Brodess says to be extra lenient on customer service. “Many people are under lockdown or stay-at-home orders, so making trips to the post office to return products can be a hassle or even dangerous,” Brodess says. “Where appropriate, offering and giving refunds without requiring a product return is something buyers appreciate and can help your brand stand out.”
- ▶ Sellers that rely on Amazon for fulfillment are facing a tough obstacle. Multiple experts suggest sellers look for other options, such as partnering with a third-party logistics company to store inventory. And be ready for when Amazon opens the gates and allows shipments to FBA warehouses again from

all sellers. “You should see my warehouse right now. We have boxes stacked, packaged and ready to ship once Amazon lets us,” MPO Global’s Rifkin says.

ONLINE GROCERY SHOPPING SOARS DURING THE CORONAVIRUS CRISIS

by James Melton

31% of U.S. households have used an online grocery delivery or pickup service during the past month, a survey finds. And 26% of those surveyed say they're using a specific online grocery service for the first time.

Stay-at-home directives in dozens of states

and municipalities allow consumers to leave their homes to buy groceries. But rather than risk pushing a cart through a store, a growing number of people are making grocery orders online.

A March 23-25 consumer survey from food marketing and sales consulting firm Brick Meets Click and online order fulfillment platform ShopperKit finds 31% of U.S. households have used an online grocery delivery or pickup service during the past month. That percentage represents a total of about 39.5 million households. The number of households now ordering groceries online is up 145.3% compared with a Brick Meets Click survey in August 2019, which found 16.1 million, or 13% of households, bought groceries online that month.

The survey also found 26% of the online grocery shoppers surveyed (or the equivalent of 10.3 million U.S. households) said they are using a specific online grocery service for the first time. This rate of new users jumps to 39% for shoppers 60 years and older.



“The COVID-19 health crisis has clearly fueled a tremendous surge in demand in the very near term,” says Bill Bishop, chief architect at Brick Meets Click. Some households will not stick with online grocery pickup or delivery services after the crisis is over, but others will, he says.

In the March survey, 43% of respondents said they are either extremely likely or very likely to stick with online grocery buying. That represents a significant shift for the grocery sector, Bishop says. Also, 30% of households that haven't bought groceries online during the past month

are extremely likely or very likely to place an online grocery order with a home delivery or store pickup service in the next three months if the crisis continues, the survey found.

The March survey found the number of online grocery orders placed for pickup or delivery surged 193% versus August 2019 levels. And the average number of monthly orders per household grew 19% compared with August 2019.

The March 23-25 survey was conducted online and included 1,601 adults, 18 years and older, who participated in the household's grocery shopping. Pew Research Center adjusted the results based on internet use among U.S. adults to account for non-response bias associated with online surveys. The August 2019 results were based on a similar methodology that included a sample of 2,485 adults completed Aug. 21-23, 2019.

DELIVERY DELAYS FOR GROCERY ORDERS

"The surge in demand is stressing all aspects of [grocery store] operations, whether online or in the store," says David Bishop, a partner at Brick Meets Click says.

At the retailers with which the firm works, delays in delivering online orders are pervasive, and it's not uncommon for customers to wait 3 to 7 days unless they opt to visit the store, he says. Also, the quantity of out-of-stock items has

skyrocketed, mainly because of panic-buying, he says.

"This issue is not specific to online as the vast majority of orders are still fulfilled at the store. However, to manage the demand spike, some retailers are now only selling certain high-demand products in the store," David Bishop says.

Erik Rosenstrauch, president and CEO of retail marketing agency Fuel Partnerships, says the COVID-19 crisis stressed the grocery retail business in ways nobody expected. "They weren't ready for people to wipe out the shelves," he says.

DURING THE CORONAVIRUS CRISIS, THE CURBSIDE REPLACES THE STORE FOR SOME RETAILERS

by James Melton

With many merchants closing stores, retailers have turned to curbside pickup and home-delivery options. In some cases, store-based retailers are forgoing in-store foot traffic entirely, making store interiors off-limits to shoppers—essentially turning them into pickup points for online orders brought to customers' cars.

Retailers are sending employees outside as customers make heavy use of curbside pickup. Some retailers are forgoing in-store foot traffic entirely.

As the novel coronavirus—the virus that causes COVID-19 disease—continues to spread and dozens of states and cities impose shelter-in-place directives, some retailers are sending employees out to the curbside or parking lot to accommodate their social-distancing shoppers.

CURBSIDE PICKUP AND HOME DELIVERY

With many merchants closing stores, retailers have turned to curbside pickup and home-delivery options. In some cases, store-based retailers are forgoing in-store foot traffic entirely, making store interiors off-limits to shoppers—essentially turning them into pickup points for online orders brought to customers' cars. Some retailers, like The Container Store and Nordstrom Inc., are already setup to handle curbside orders from a people, process and technology standpoint. Other retailers, like fabric retailer Joann, decided to launch curbside



More retailers are offering curbside pickup, which allows shoppers to buy online and stay in their cars to pick up their orders.

in response to the coronavirus and had to determine the operational tactics on the fly.

The Michaels Cos., an arts and crafts retailer that already offered a buy online pick up at store (BOPIS) option, also launched curbside pickup this month.

The retailer had a “significant uptrend” in its online business, both for delivery to home and for BOPIS, CEO Mark Cosby told analysts March

17, according to a Seeking Alpha transcript. In the fourth quarter, which ended Feb. 1, BOPIS accounted for 45% of Michaels' online sales, Cosby said. As of March 24, the Michaels website warned shoppers that orders placed for home delivery could be delayed due to high demand.

Similarly, fabric retailer Joann recently launched curbside pickup at all of its 860 stores to accommodate shoppers wanting to social distance. Some stores are allowing shoppers to come in and make face masks and covers, gowns and other items to donate to U.S. hospitals. Joann will provide and donate 100% of the supplies needed for these projects for those who come in to make them, the company says.

Once the COVID-19 crisis ends, a lot of customers currently using BOPIS will probably appreciate the convenience of that option and stick with it, says Brendan Witcher, principal analyst at Forrester Research Inc. But he expects some retailers to back off on encouraging curbside pickup because it's more costly to operate and decreases foot traffic inside stores.

Forrester's research shows 30-40% of shoppers who go into a store to pick up an online order end up buying additional items, Witcher says.

While governments continue to order shoppers to stay at home, however, retailers see curbside BOPIS as a way to keep serving customers in a safe way.

BEST BUY STARTS CURBSIDE-ONLY SERVICE

Electronics and office supplies retailer Best Buy Co. Inc., which already offered curbside pickup, moved to a curbside-only service for all its 977 U.S. stores on an interim basis. Best Buy's curbside-only policy applies to more than orders made online. If a customer was unable to place an online order and the product is in stock in the store, employees can go into the store to claim the item for the customer and sell it to them curbside, Best Buy says.

Best Buy customers can continue to order online for home deliveries. However, large products such as appliances will be delivered "where permitted and under strict safety guidelines with everything left outside near the customer's door." Best Buy has suspended all in-home installation and repair services. Instead, it is conducting in-home consultations virtually, Best Buy says.

Best Buy's move to a pickup-only model for its stores follows that of home goods giant IKEA Retail U.S., which announced March 16 it would temporarily close all 50 U.S. stores for in-store shopping. Selected stores remain open to handle at-store pickup, IKEA says. Home delivery also remains available.

IKEA also announced temporary closures in other countries hit by COVID-19. Those countries include Austria, Belgium, Canada, Czech Republic, Denmark, Germany, Italy,

France, the Netherlands, Poland, Slovakia, Spain and Switzerland. With the spread of the coronavirus reportedly slowing down in China, IKEA is gradually reopening stores in China, the company says. A spokeswoman declined to comment.

NOT EVERYONE'S ONLINE BUSINESS IS DOING GREAT

Department store chain Nordstrom announced a temporary closure of its stores that began March 17. But the retailer has continued to sell online—including online order pickup and curbside services at its 116 full-line stores, as well as digital styling. The retailer declined to discuss its online sales during the shutdown. In a March 16 statement, Nordstrom said: “While February sales were in-line with expectations, the company experienced a broad-based deceleration in customer demand over the past couple of weeks, particularly in markets most affected by the virus.”

Another retailer moving to a curbside-only model is video game retailer GameStop. As of March 22, its stores are open to employees only, as GameStop institutes its own version of curbside pickup, called Delivery@Door at all U.S. stores. After shoppers place an online order for pickup at their local store and their order is ready, they must contact the store directly to let a store employee know they're waiting outside.

The duration of store closures will almost certainly be extended in some places, in compliance with shelter-in-place orders in dozens states. In California, the order went into effect March 19 and will stay in place “until further notice.” In Illinois, the state stay-at-home directive ends April 30. Delaware's order ends May 15 or until the “public health threat is eliminated.”

Nordstrom said in an email it is closely monitoring directives from state and local authorities and will make adjustments to its store-closure schedule to comply with those directives.

THE ECOMMERCE INDUSTRY IS STILL HIRING DURING THE CORONAVIRUS CRISIS

While some retailers are closing stores, online retailers and those offering essential services, such as grocery stores, are hiring hundreds of thousands of people to help keep up with the demand:

- ▶ Amazon.com Inc. warned customers March 2 about backlogged orders because demand outstripped its delivery capacity. Amazon later said it would hire 100,000 people and give U.S. workers a \$2-an-hour raise to meet crushing demand from customers placing online orders for household essentials rather than going to stores.

- ▶ Walmart Inc., a mass merchant that is also America's largest grocer, recently announced plans to hire 150,000 new employees. These include full-time, part-time and temporary positions in distribution centers and fulfillment centers.
- ▶ Albertsons Cos., a grocery retailer, announced March 23 it would work with 17 companies to provide part-time jobs to their employees who have been furloughed or had their working hours cut. A spokeswoman confirmed that the company's business is up—both in-store and online—but declined to be specific.
- ▶ Grocery store operator Hy-Vee Inc. is hiring an unspecified number of additional temporary, part-time hourly employees to help fill multiple positions. Jobs will be in stores across its eight-state region as well as its distribution centers located in Chariton, Iowa, and Cherokee, Iowa, the company announced March 20.
- ▶ The Publix supermarket chain announced March 20 it plans to hire "thousands of associates" by the end of March to fill positions in its stores and distribution centers.

"Operationally, ecommerce wasn't prepared for this," Witcher says. That's especially true in the grocery sector, which has largely not made investments in robust ecommerce platforms. The result, he says, has been backlogged orders.

The COVID-19 crisis has created a lot more online shoppers, Witcher says. But as more people in the U.S. lose their jobs, it's not clear that this will lead to higher overall ecommerce sales.

He says evidence shows that online transactions have soared, but order values have not, as consumers focus on buying necessities instead of making discretionary purchases or buying big-ticket items like major appliances and luxury goods. People worried about losing their jobs are "not going to be out buying soccer balls and massages," he says.

ONLINE RETAILERS ADDRESS CORONAVIRUS IN THEIR MARKETING, BUT NOT BY NAME

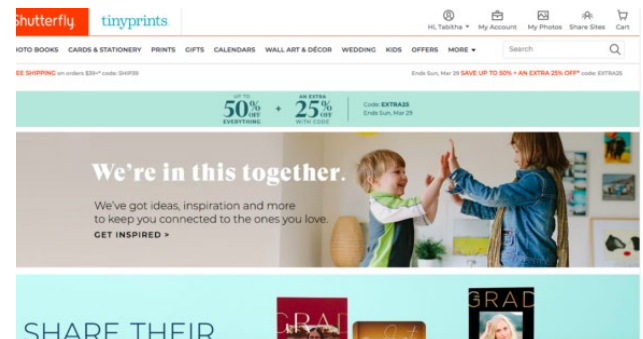
by Tabitha Cassidy

As of March 23, 76% of the Top 100 retailers in Digital Commerce 360's Top 1000 have a coronavirus-related message on their website. However, only 68% of these retailers mention the virus specifically—either as COVID-19 or the coronavirus. Retailers like King Kong Apparel, Fracture and iHeartRaves are trying to keep their marketing messages positive during the coronavirus pandemic.

With the coronavirus pandemic upending retail, many online retailers are shifting their marketing messages to address the COVID-19 virus with their consumers. Retailers are taking different strategies with some approaching the coronavirus head on, some promoting their products with a stay-at-home angle, while others focus on upbeat messages.

As of March 23, 76% of the Top 100 retailers in Digital Commerce 360's Top 1000 have a coronavirus-related message on their website, but only 68% of these retailers mention the virus specifically—either as COVID-19 or the coronavirus. The remaining 32% of retailers allude to the virus, either by mentioning that their stores would be closed or by offering a message of comradery.

For instance, Shutterstock.com's website reads (in mid-March), "We're in this together. We've got ideas, inspiration and more to keep you connected to the ones you love."



Shutterstock's homepage avoids mentioning the coronavirus by name.

Whether or not retailers should use the terms "the coronavirus" or "COVID-19" in their messaging depends on the product or service itself, and whether or not it fits, says George Deeb, managing partner and strategist with Red Rocket Ventures, a marketing consulting company.

"I don't necessarily think you need to use the words in your campaigns themselves, unless there's a real business reason to do it," Deeb says. "It's all a function of if the messaging is going to be perceived as a positive message, or as a 'trying to take advantage of' message. That's a very thin line."

CUTTING BACK ON MARKETING CAN BE A DOUBLE-EDGED SWORD

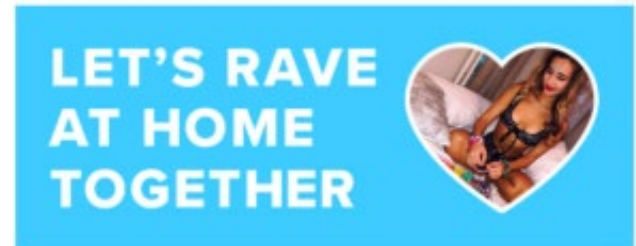
While Deeb says there isn't a one-size-fits-all approach when it comes to marketing during these times, he does suggest merchants take a hard look at what they are spending in terms of ad dollars and where their highest profit margins are.

"The guidance I'm telling people is to have a very religious data-driven approach to your marketing activities," Deeb says. "Make sure you're investing in your highest ROI potential categories first and make sure the best spend is coming in a way that you can see. Is it hitting your cost per sale metric? Is it hitting your cost per lead metric? However people are managing their businesses, now is the disciplined time."

That's what web-only retailer apparel iHeartRaves is doing. Founder and CEO of iHeartRaves Brian Lim says that it has been scaling back its ad budget to reach a higher return on investment (ROI) with email and social media ads.

"Before the virus, we were very aggressive with paid ads because we could rely on our lifetime value numbers," he says. "For example, we had increased our budgets by 50% for new customer ads and got an ROI of 2:1. Now, we have cut back by 50% and are going for an ROI of 3:1."

This means that previously, iHeartRaves was taking more risks with its advertisements,



In this time of uncertainty, we want to keep the festival spirit alive (and inside) for our wonderful community with our Rave at Home series. Every Friday, we'll bring you tips for raving at home and ways to pass the time in style.

PLUR
The iHeartRaves Team

An email message from iHeartRave's avoids mentioning the coronavirus, but instead focuses on its new campaign to "rave at home together."

generating two dollars for every dollar spent. Now, the retailer must cut back on its ad spend while aiming for a better ROI of three dollars generated for every dollar spent to make up what is being cut. Cutting back on marketing, however, isn't always the answer, Deeb says.

"From one perspective, the immediate answer is yes. Cut back on your marketing and save your dollars for a better time," Deeb says. "The flip side of that is, without spending in sales and marketing, you don't have any leads coming up. You don't want to cut your throat in the process of cutting your marketing spend."

Apparel retailer iHeartRaves mostly relies on clothing sales for festivals—most of which have been canceled because of the coronavirus. Instead, it has focused its marketing messages

on having a good time at home. The retailer posts daily on its social channels and avoids using the words coronavirus or COVID-19, which might cause panic, Lim says.

“We started a #RaveFromHome series that has been very successful and is a direct response to the virus outbreak,” Lim says. “We are doing our best to project positivity into the community and make the best of the situation.”

Currently, Lim says iHeartRaves is running aggressive sales and free shipping promotions to recoup some of the lost revenue from shoppers not buying festival clothing.

FOCUSING ON POSITIVITY FOR PHOTO DECOR BRAND FRACTURE

Photo decor brand Fracture, which grossed \$23 million in sales last year, has been using its marketing channels to focus on positivity while also informing customers of potential delays as the ecommerce brand practices social distancing.

“We feel that the best way to attract customers in light of COVID-19 is to empathize with them and put ourselves in their shoes,” says CEO and co-founder Abhi Lokesh. “After all, we’re all in this together. We need to constantly be asking ourselves, ‘What would we want from the brands we buy from?’”

This positivity comes at a good time as 79% of consumers said they were somewhat or

extremely concerned about the coronavirus, according to a Coresight Research survey of 1,152 consumers March 17-18.

Fracture strives for consistency with its overall branding by telling followers to focus “on the moments that matter,” while also informing shoppers that it has increased the number of facility cleanings and slowed down production to meet new standards.

“Given everything that’s going on, our tone has to strike a delicate balance between empathy and optimism,” Lokesh says. “We also need to recognize that perhaps many people need their space at the moment and may not want to hear from us. It’s important for people to know that we’ll be there for anyone who reaches out, but millions of people are currently worried about their livelihood and their families, and we need to be respectful of what people are going through and the fact that we’re not exactly the highest priority for everyone.”

DECIDING NOT TO SEND A CORONAVIRUS EMAIL

Web-only retailer King Kong Apparel didn’t send a COVID-19 email update. It is in a similar position as iHeartRaves, as its primary products include gym, travel and meal-prep bags for athletes and fitness enthusiasts.

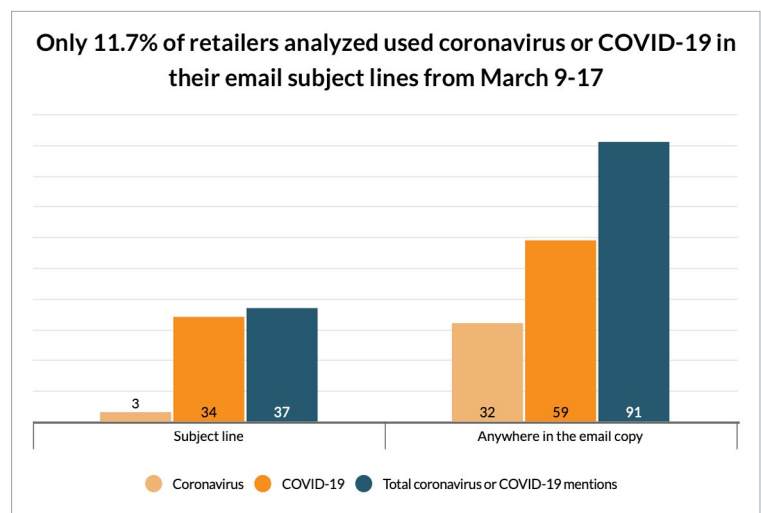
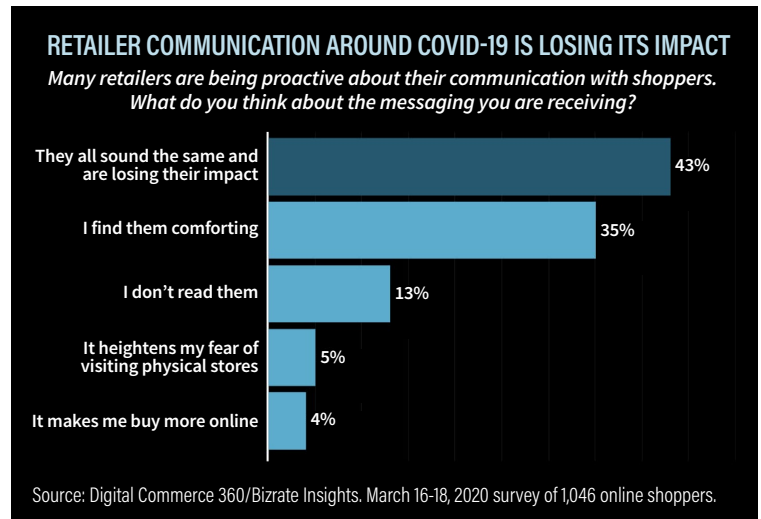
Conversion on KingKongApparel.com has dropped by 40%, says founder Stefan Gehrig.

The retailer, which was on track to gross \$2.2 million in sales before the coronavirus outbreak, is now down 50-60% year over year for the quarter. As a result, it is pushing back new product launches for several months. The focus for King Kong Apparel during this time has been maintenance, instead of new acquisitions or the creation of new promotions. The retailer's messaging echoes this maintenance: It isn't mentioning the coronavirus by name, but instead using vague references mostly surrounding the closure of gyms, pools and training facilities where its bags are primarily used, Gehrig says.

"Our feeling was that enough companies were doing that, and being an ecommerce company only with no storefronts, it was largely business as usual," Gehrig says. "We felt that customers would be happy to have some normalcy and see our brand as they usually do."

This coincides with recent consumer insights into the coronavirus, as only 35% of the 1,046 online shoppers surveyed by Digital Commerce 360 in mid-March found COVID-19 emails to be comforting. 43% said they were losing their impact, 13% don't read them and 5% stated that they actually heighten their fear of visiting a physical store.

And while it might seem like every retailer



is sending out COVID-19 emails, King Kong Apparel's approach is actually pretty similar to many others.

According to the coronavirus data from MailCharts collected March 9-17, only 11.7% of the 315 retailers analyzed used either "coronavirus" or "COVID" in the subject line of their emails, and just 28.9% used the terms anywhere in their email messaging.

By not focusing on and overwhelming people with news about the coronavirus, King Kong Apparel is instead able to maintain consistency in its branding, and start the development of new products.

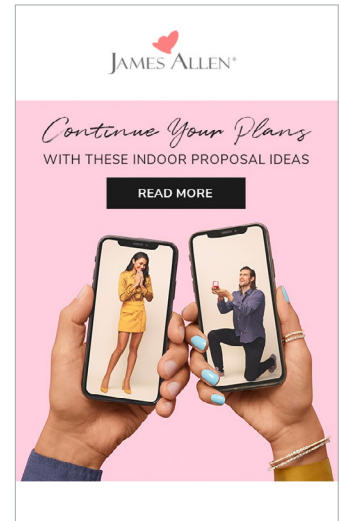
“Our thinking here is that engaging with our best customers and biggest fans about new products that are in the pipeline will foster a feeling of business-as-usual, without the immediate ‘shop now’ call to action, which is unlikely to work in the current climate,” Gehrig says.

Other COVID-19-related messages from online retailers include:

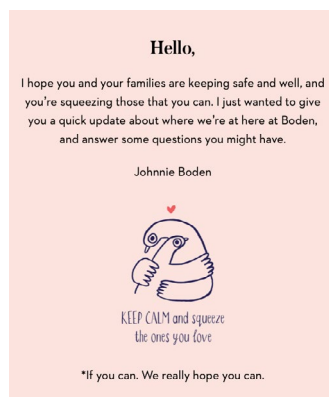
- ▶ Free People: “Step out (safely of course) with your furry friend...”
- ▶ James Allen: “Continue your plans with these indoor proposal ideas...”
- ▶ Boden: “Keep calm and squeeze the ones you love. If you can. We really hope you can.”
- ▶ Goop: “A note from the goop team about how we’re handling COVID-19...”
- ▶ Dr. Martens: “The outbreak of COVID-19...”



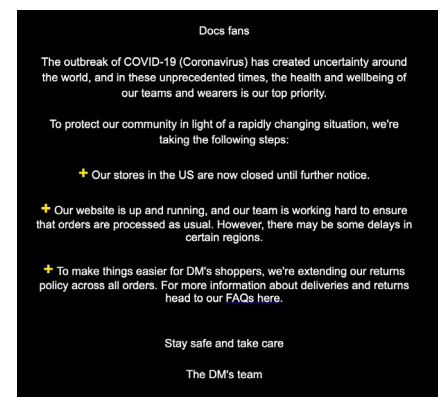
Free People



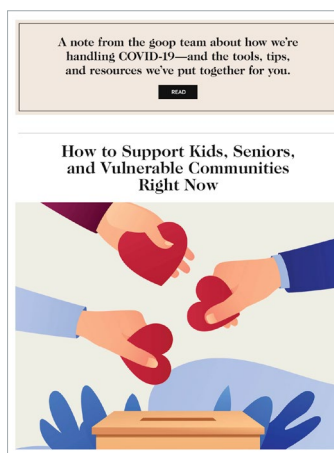
James Allen



Boden



Dr. Martens



Goop

COVID-19: THE RETAILER PERSPECTIVE

by Lauren Freedman

Consumer insights analyst Lauren Freedman highlights important trends in Digital Commerce 360's most recent survey of how retailers are adjusting their businesses during the coronavirus pandemic.

Many retailers have never faced circumstances

like these during the coronavirus pandemic.

While the immediate concern may be the here and now, there is also uncertainty in not knowing how long it will last, the toll it will take on our lives, on one's business and the ecommerce industry as a whole. Digital Commerce 360 reached out to the retail community and heard from 107 retailers during the week of March 16.

The biggest impact retailers indicated—by far—was about demand and sinking revenues. Some of this impact is a result of retail store or production closures or reduced foot traffic to stores that are open. Consumer confidence and resilience are also taking a hit as consumers find themselves in a waiting game to purchase. Retailers also expressed great worry about the future of their businesses, as liquidity and cash flow are challenged and the reality that any outside investments have ground to a halt. Of course, social distancing and the health of employees are on the minds of every retailer, trying to keep them safe and employed in these desperate times. Supply chains are



compromised and inventory shortages are the new normal as seasonal products are rendered irrelevant.

One retailer summed up its scenario:

“Short term, trends have been positive. Long term, this likely accelerates omnichannel. Medium term, depending on how long this lasts, real risks to consumer confidence and spending. Right now, it’s day by day and we’re making the best of it, but I am anxious about the longer-term effects on the economy and the consumer.”

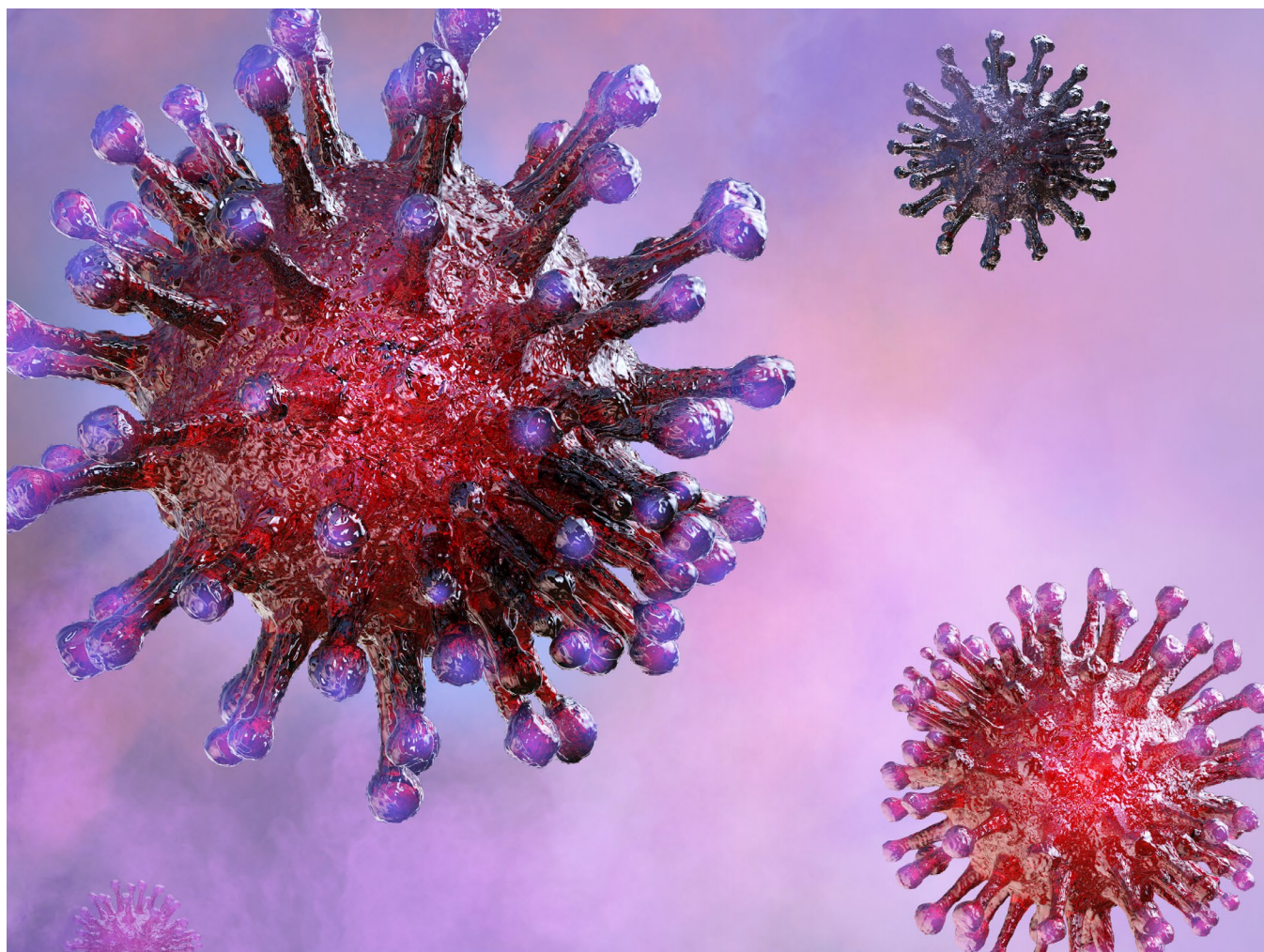
Others shared this mindset, which helps provide a point-of-view beyond the numbers.

Amazon is causing trouble for some sellers who are unable to get inventory delivered or exposure on the marketplace, which is now focused on showcasing essential products. Purchasing behavior has clearly shifted and retailers are making adjustments to smartly address these dire circumstances.

Retailers are forced to move beyond the

numbers to chart the right course for their businesses in these challenging times. Two questions loomed large, including the biggest impact businesses are facing to the most innovative ways they combating the crisis.

To provide color to the situation, Digital Commerce 360 aggregated the survey findings, including the number of businesses that highlighted the issue and a sample of what these companies shared with us.



WHAT IS THE BIGGEST ISSUE YOUR COMPANY IS FACING FROM COVID-19?

● Number of retailers who responded with this issue

36 REDUCED DEMAND, TRAFFIC, REVENUE

- Our staff is limited- non-essential businesses in our area are ordered closed.
- Overwhelming amount of orders.
- We have a business-to-consumer business going up and a B2B business going down. Primary business-to-business clients are restaurants.
- Demand shock and zero sales. ... We sell expensive watches, kind of the opposite of hand sanitizer.
- Significant decline in transaction and big-ticket orders.

We are in the live events: weddings, parties, events, stage decor business. We are down 90%.

12 STORE CLOSURES OR REDUCES TRAFFIC

- Closure of our tasting room. Aggressive marketing, i.e., virtual tastings are beginning to pick up some of the shortfall.
- No consumers able to shop. We will only come back when we have our customers back in our stores.

15 SUPPLY CHAIN

- So far, not much. Hopefully this will serve as a wakeup call that products that are strategically important (medication, medical equipment, tech, etc.) should be manufactured in the U.S.

Unavailability of airfreight space with planes not flying. Can't get stock to market despite high demand.

11 CONSUMER CONFIDENCE & RESILIENCE

- Uncertainty directly linked to the absolute inability to predict how long the virus will last.
- We have a store and back stock all set for spring/summer, and our storefront is closed and our website business is declining. We don't sell toilet paper, hand sanitizers, etc. Selling specialty clothing goods is not a hot commodity. People are apprehensive about having enough money to get through this.
- Consumers are waiting to purchase due to uncertainty.

10 FUTURE BUSINESS IMPACT (CASH FLOW, INVESTMENT, ETC.)

- Delays in investment coming in to grow the company.
- How long will this will last, to help determine the economic disruption.

This will shut down many of the retailers (all small businesses) we rely on to sell our products. It will massively change the face of our business for the worse.

After 44 years in business, we have no business and have had to lay off all our employees. Worried about them, their families, our families and our future.

COVID-19: THE RETAILER PERSPECTIVE

CORONAVIRUS: ECOMMERCE CRISIS MANAGEMENT FOR TODAY AND TOMORROW

● Number of retailers who responded with this issue

10 PRODUCTION FACILITIES CLOSED

- Loss of sales, due in part to mandatory stay-at-home, which forces us to close our production facility
- Wholesale - all clients in the United States have placed orders on hold until further notice. Bra Spectrum - Bryn Mawr, Pennsylvania, is closed by government decree.
Concern for the eight manufactures that we wholesale and sell in retail to stay healthy and safe - located in Latvia, Spain, Poland, Italy and Lithuania.
- Monitoring whether my suppliers are still open and shipping. Hoping that my fulfillment company remains open to ship our orders.
- About 95% of our suppliers (all based in the U.S.) have been forced to close until further notice.

7 EMPLOYEE CONCERNS

- Employee health and safety

11 INVENTORY

- We are stocked with spring/summer clothing and no sales. With MAP (minimum advertised price), we are not allowed to do any promotions until July. We may not open until mid-May in our area. Being able to run a sale now would help bring in cash and clear out seasonal merchandise.
- Drop-in customers, financial pressures as sales decline. Uncertainty of how much inventory to bring in at this time. We operate a seasonal tourism business.
- We are trying to source more material for a surge in sales. We sell live plants and are seeing categories surge in these unknown circumstances.
- Keeping key supplies in stock & available for purchase (after employee safety of course).

4 MARKETING

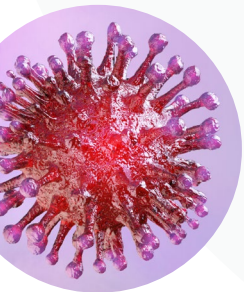
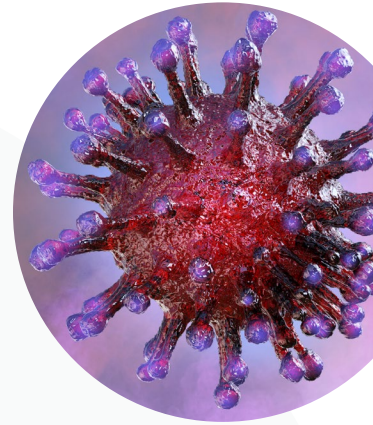
- Decreasing marketing promotions

5 BUYING BEHAVIOR SHIFT

- Shift in buying behavior. New customer acquisition has collapsed. The value of brand has disappeared; it's about price and/or in-the-moment benefits. Indulgences or health benefits.
- Identifying change in consumer habits and getting out in front of those.

6 AMAZON-RELATED ISSUES

- Amazon has paused "in-network" orders for our products. We are still selling dropship with Amazon. "In-network" orders are 50% of our Amazon business.
- Lack of customer sales and preventing shipments to FBA warehouses
- FBA closed to non-essential goods. Decline in access to raw material supplies.



WHAT IS THE MOST IMPORTANT OR INNOVATIVE THING YOU ARE DOING TO WEATHER COVID-19?

Tough times demand innovative solutions.

Surveyed retailers are first and foremost adhering to social distancing and adopting work-from-home approaches. More importantly, they are shifting models to address the times, including revising business models such as adding wholesale channels, updating sites and systems and implementing ecommerce.

Many are facing inventory or supply issues where the greatest challenge is either the inability to get products or to sell what's in stock, which puts great pressure on both the bottom line and overall survival.

Thinking through how a company communicates with partners and prospective customers is more important than ever before. And getting the message right matters.

It's optimal for companies if they can take a "business-as-usual" attitude, with the exception of social distancing. For other companies, it is the first time in their history that all but warehouse and shipping departments are working remotely.

Business viability depends on the personal circumstances of each retailer surveyed. It ranges from survival to pre-planning their comeback, including financing and messaging. One alluded to "learning how to survive," which

is something all of us are charged with in these unprecedented times. Retailers are thinking about keeping their staff healthy, both mentally and physically, and supporting those with school-age children by offering flexible days and hours. On the more extreme end of things, one retailer expressed sadness in furloughing all its employees.

Many of the retailers surveyed face liquidity issues. They are taking drastic measures, including cutting expenses all in the name of conserving cash to stay afloat. Marketing budgets are also in flux as social media appears to see a boost, and one seller suggested it is hiring an influencer. Another cited working with its agency to reallocate media investment and refreshing its campaigns to be relevant in the moment.

One of the few positive outcomes of COVID-19 is focus. Retailers are revising their 2020 budget plans. Ecommerce was the beneficiary for some businesses as they "accelerate their digital engagement and ecommerce activities." One retailer indicated it is updating its site and software to take advantage of the down time. Some suggested leveraging data and technology to proactively reach their customers. We can only hope, like of our retailers shared, "staying positive is critical as this too shall pass."

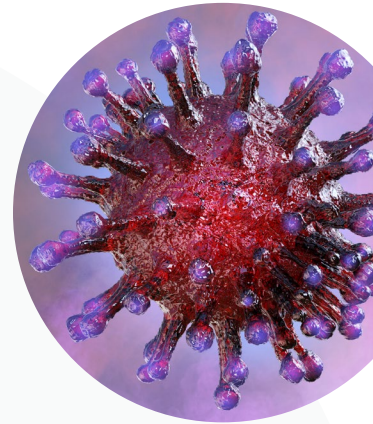
WHAT IS THE MOST IMPORTANT OR INNOVATIVE THING YOU ARE DOING TO WEATHER COVID-19?

● Number of retailers who responded with this issue

16 SHIFTING MODELS

- Virtual tastings.
- Rethink the business model.
- Adding a wholesale channel to our business.
- Shifting business strategy/marketing strategy.
- Pivoting to new customers who are downsizing internal operations
- Shift focus from B2B over to B2C.
- Launched new brand, #Praystrong, to provide new, non-sacramental, revenue streams as well as a place of hope for our customers.
- Shifting to ecommerce with potential BOPIS options being expedited.

We're shipping products directly to our customers, even though this wasn't the case before.



15 WORK FROM HOME/SOCIAL DISTANCING

- For the first time in our history, all but warehouse and shipping departments are working remote.

10 COMMUNICATION

- Communicating our order processing and shipping schedule regularly with customers.
- Not sell, reassure consumers we are helping the community.
- Pre-plan our comeback financing and messaging.
- Rather than being out there promoting COVID-19 sales, we're actually creating two videos a week giving parents FREE ideas that they can do with their children. We see this event as an opportunity to grow our brand through caring vs. money grabbing.
- Shifting consumer communications to be inspiring and compassionate during these difficult and stressful times.

10 INVENTORY

- Working with new/local partners to keep orders flowing.
- We are taking the time to add new categories to our website and to update some of our database software to help save us time and to get more information.
- Concentrating on core product and price points.
- Diversifying our inventory to appeal to a broader base of potential customers.
- We're trying to keep our ecommerce options as broad and fully stocked as possible.
- Ordering ahead from suppliers so that will be first in line to receive merchandise when the market recovers.
- Speaking to suppliers for extended terms.
- Cut overhead and stopped new inventory orders
- Contacting suppliers. Reviewing inventory orders and canceling anything not absolutely required to operate our business.
- Changing airline carriers.
- Prioritizing inventory.
- Trying to airfreight more stock to market to meet demand.

10 FOCUS

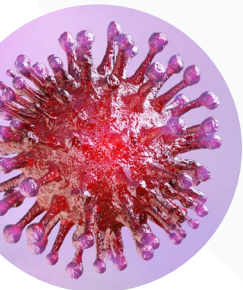
- Getting organized.
- Replanting the 2020 business plan.

9 P&L CASH FLOW

- Cutting expenses, conserving cash, cut overhead, stopping new inventory orders.
- Conserve cash/liquidity.

7 BUSINESS VIABILITY

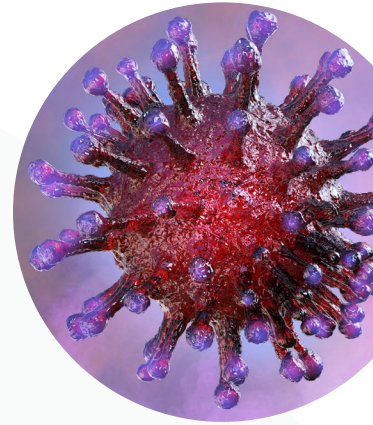
- Extreme collaboration across all areas of the company.
- Scaled down operation significantly.
- As we control our fulfillment, we are in strong position compared to many of our competitors. Just need to survive.
- Learning how to survive.



COVID-19: THE RETAILER PERSPECTIVE

CORONAVIRUS: ECOMMERCE CRISIS MANAGEMENT FOR TODAY AND TOMORROW

● Number of retailers who responded with this issue



7 MARKETING

- Working with our agency to reallocate media investment and refresh our campaigns to be relevant in the moment.
- New marketing plan.
- Being more aggressive with social media and implementing different ideas to retain exposure and relevance.
- Improve social media and hired on influencer.
- Cutting costs while preserving as many marketing dollars as possible.

5 ECOMMERCE

- Being an online resource in the brick-and-mortar world of tile, we are hoping that more designers, architects and consumers will shop online with us.
- Targeting ecommerce.
- Accelerating digital engagement and ecommerce activity.
- Boosting our ecommerce readiness.

6 AMAZON-RELATED ISSUES

- Amazon has paused "in-network" orders for our products. We are still selling dropship with Amazon. "In-network" orders are 50% of our Amazon business.
- Lack of customer sales and preventing shipments to FBA warehouses
- FBA closed to non-essential goods. Decline in access to raw material supplies.

5 SITE IMPROVEMENTS AND TECHNOLOGY

- We are doing a lot of updating to our site and updating other related software to take advantage of the down time.
- Leverage data and technology to proactively reach our customers.
- Holding onto cash and updating the website.
- Getting back-end systems refined for when things are over.
- Having online courses for boutique salesperson.

3 EMPLOYEE CONCERNS

- Furloughed all employees.
- Hiring more staff.

3 SHUTDOWN

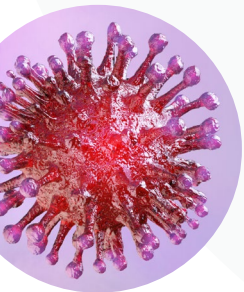
- We are currently online only, retail store is closed due to NY lockdown.
- Retail waitlists.

1 CUSTOMER SERVICE

- Chat

2 PPE

- Including non-medical masks with orders.



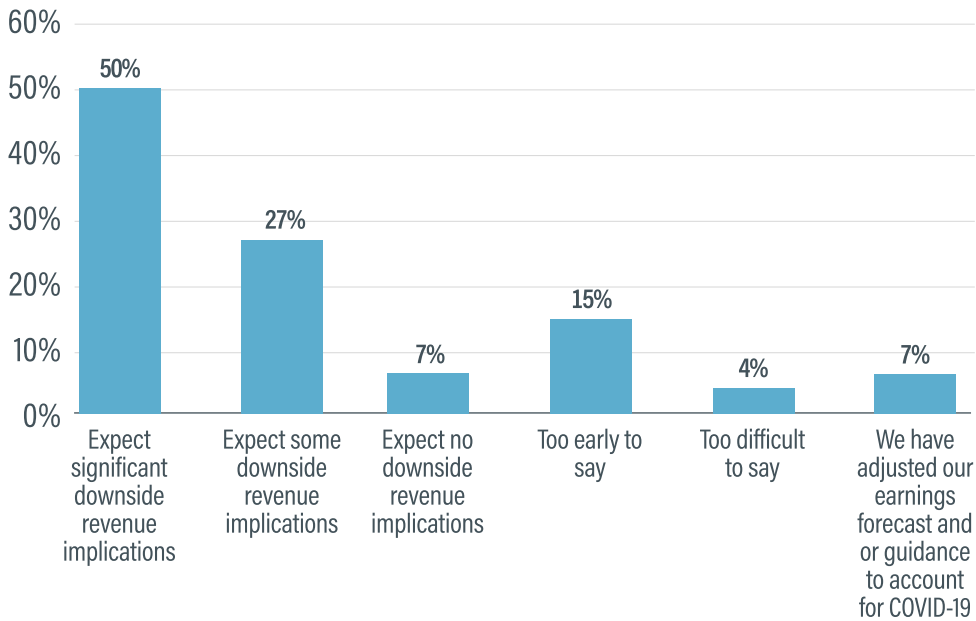
COVID-19: THE RETAILER PERSPECTIVE

CORONAVIRUS: ECOMMERCE CRISIS MANAGEMENT FOR TODAY AND TOMORROW

HALF OF RETAILERS EXPECT BUSINESS REVENUES TO SEE SIGNIFICANT DOWNTURNS

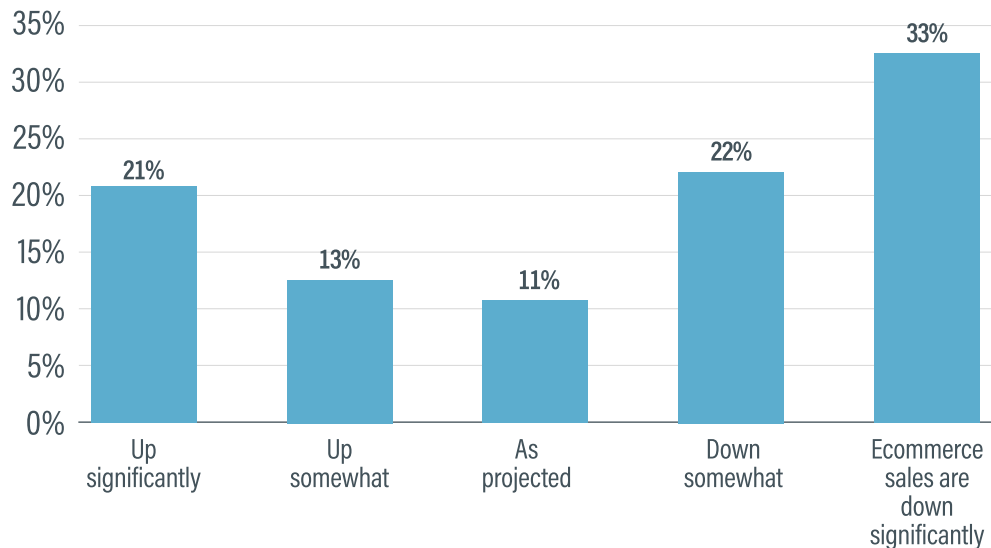
How do you expect the COVID-19 crisis to affect the financial performance of your business?

Please select all that apply.



55% OF RETAILERS ARE SEEING ECOMMERCE DECLINES UNDER CORONAVIRUS

What impact have you seen to date on your ecommerce business given the spread of COVID-19?



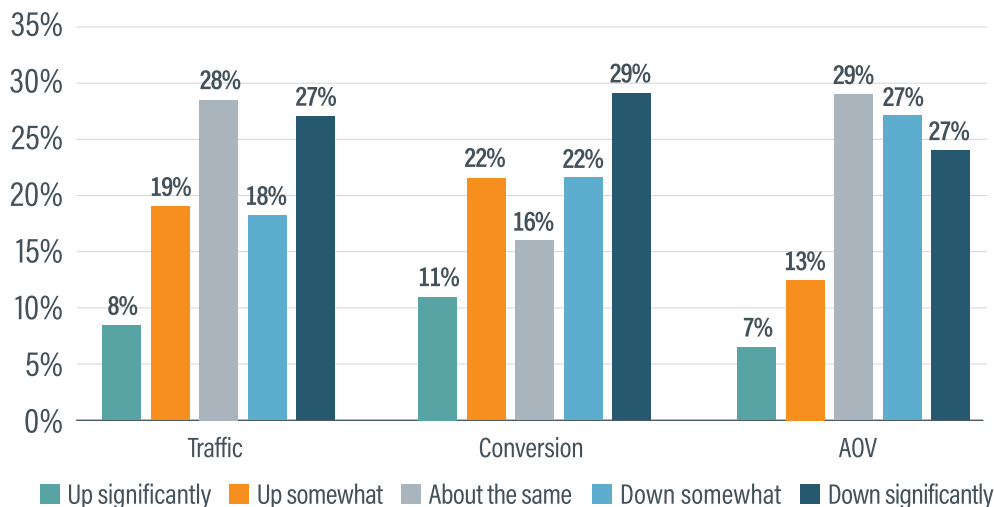
ECOMMERCE IMPACT

| | Up | About the same | Down |
|------------|-----|----------------|------|
| Traffic | 27% | 28% | 45% |
| Conversion | 33% | 16% | 51% |
| AOV | 20% | 29% | 51% |

COVID-19: THE RETAILER PERSPECTIVE

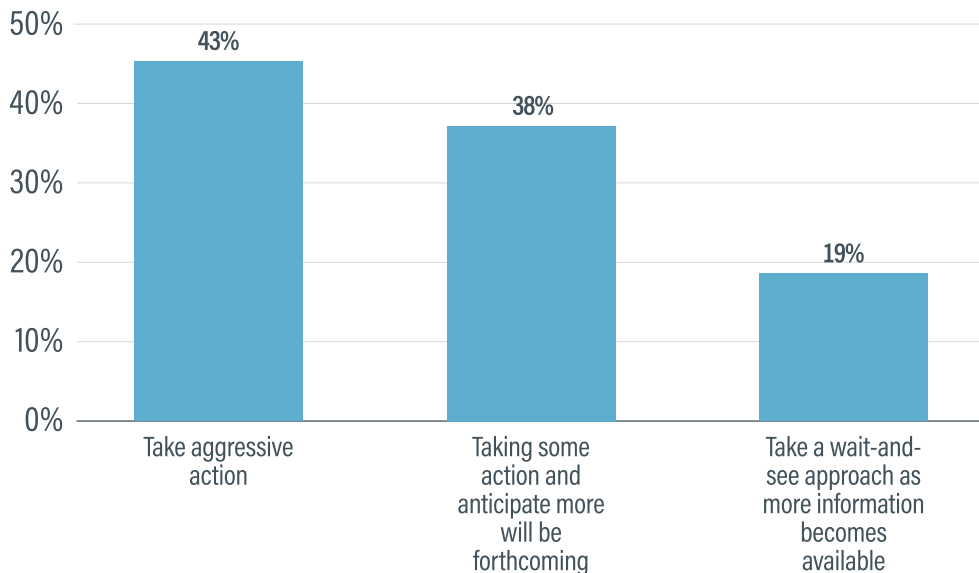
CORONAVIRUS: ECOMMERCE CRISIS MANAGEMENT FOR TODAY AND TOMORROW

HOW HAVE THE FOLLOWING KPI'S TRENDLED DURING COVID-19 RELATIVE TO YOUR TYPICAL PERFORMANCE METRICS?



MOST RETAILERS ARE TAKING AGGRESSIVE ACTION

How would you describe the level of action (supply chain, forecasting, global, store closures, etc.) you are taking relative to the COVID-19?

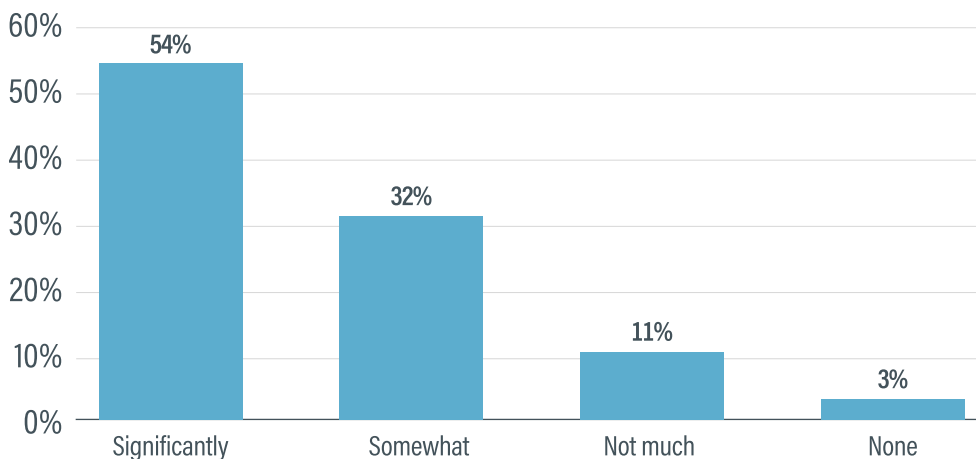


COVID-19: THE RETAILER PERSPECTIVE

CORONAVIRUS: ECOMMERCE CRISIS MANAGEMENT FOR TODAY AND TOMORROW

97% OF RETAILERS REPORT DECLINING CONSUMER CONFIDENCE

How severely will COVID-19 drive down consumer confidence, in your view



SUPPLIER COMMUNICATION AND COORDINATION TOP THE LIST OF SUPPLY CHAIN ACTIONS

Which of the following supply chain-related actions are you taking as a result of the acceleration of COVID-19? Please select all that apply.

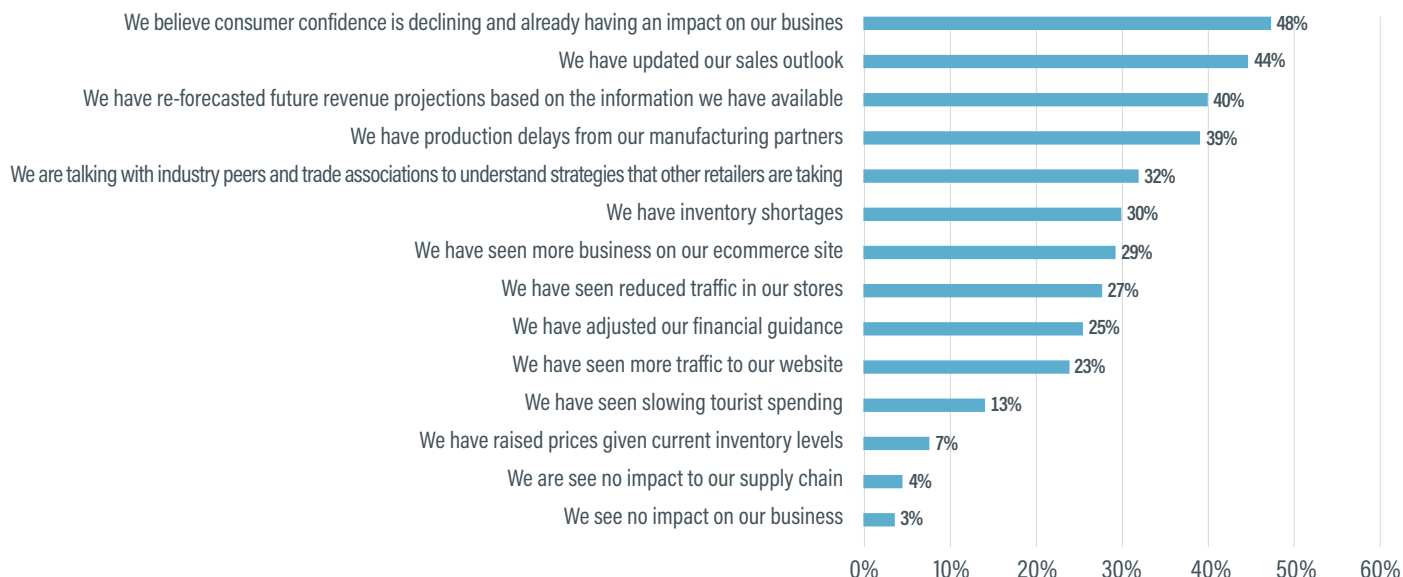


COVID-19: THE RETAILER PERSPECTIVE

CORONAVIRUS: ECOMMERCE CRISIS MANAGEMENT FOR TODAY AND TOMORROW

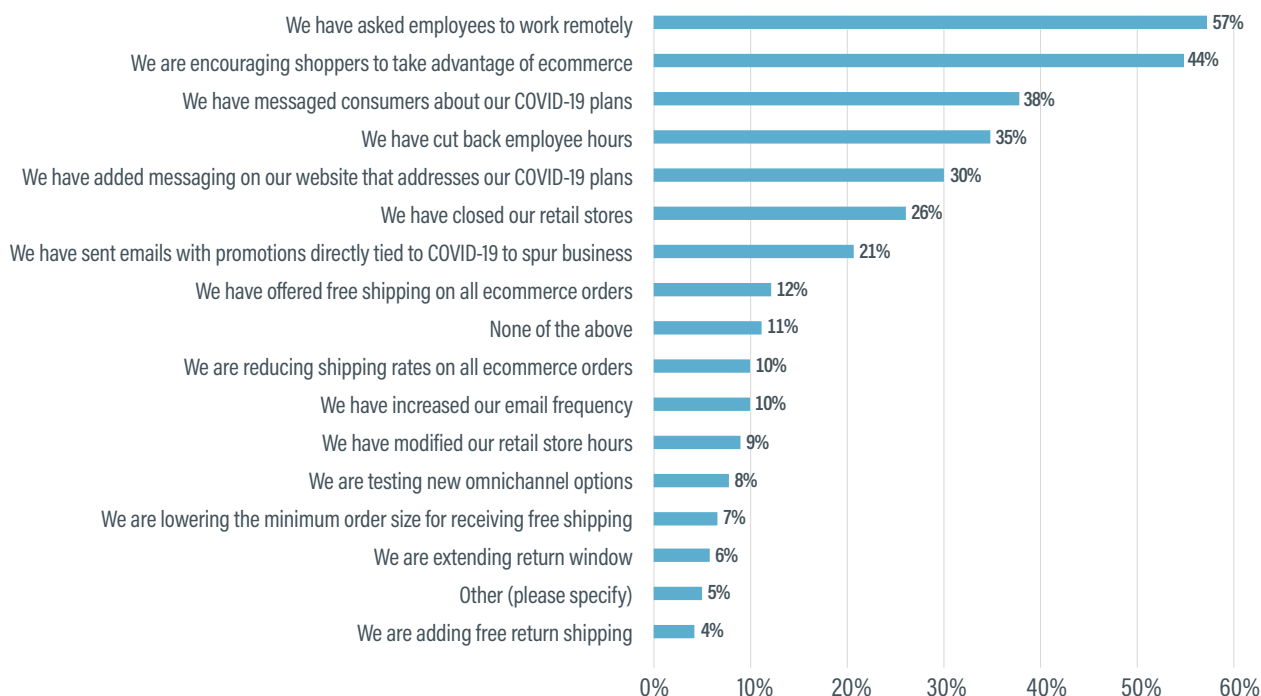
REALITY IS HARSH AS COVID-19 TAKES A TOLL ON CONSUMER CONFIDENCE, FORCING SALES DECLINES AND FORECAST REVISIONS

Which of the following has already become a reality as COVID-19 has grown in scope across the U.S. and abroad? Please select all that apply.



CHANGING EMPLOYEE CIRCUMSTANCES ARE A REALITY ECOMMERCE CAN PLAY A POWERFUL ROLE

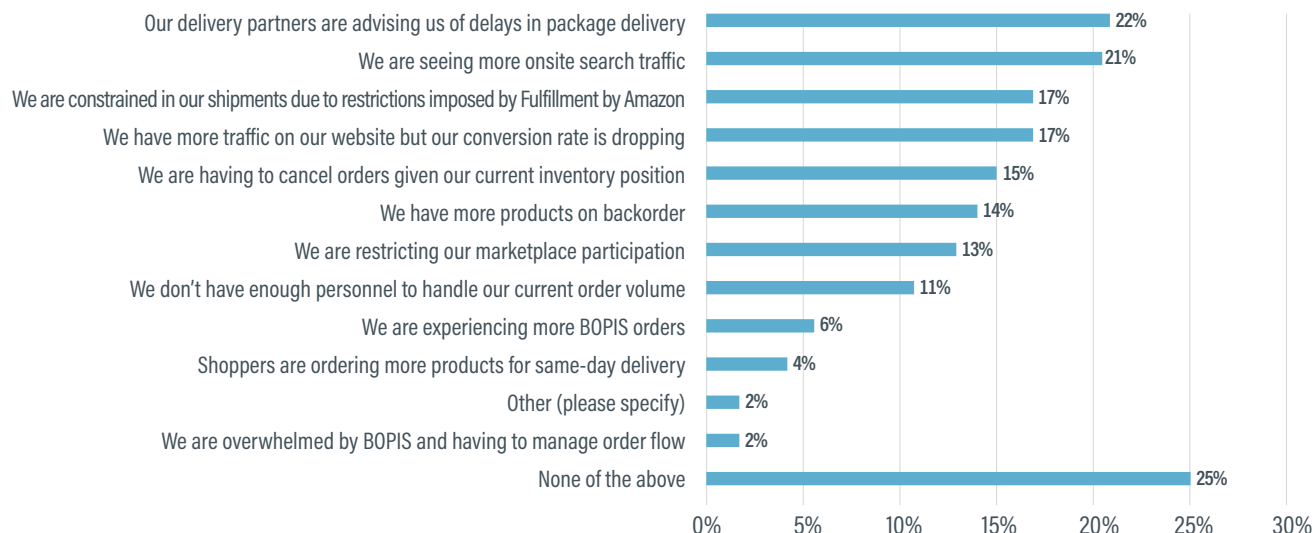
Which of the following have been part of your business strategy in the wake of COVID-19? Please select all that apply.



COVID-19: THE RETAILER PERSPECTIVE

CORONAVIRUS: ECOMMERCE CRISIS MANAGEMENT FOR TODAY AND TOMORROW

SUPPLY CHAIN CONCERNS, ALONG WITH ECOMMERCE AND PARTICULARLY MARKETPLACES, ARE ISSUES RETAILERS FACE AMID COVID-19
When thinking about operations and the COVID-19, which of the following have become issues you are grappling with? Please select all that apply.



AS CORONAVIRUS DRIVES DEMAND, NUTS.COM TRIES TO SLOW SALES

by Don Davis

Consumers are rushing to Nuts.com in high numbers to buy non-perishable items like pasta and beans as well as nuts and dried fruit. That's led the online retailer to ask shoppers who don't need food right away to hold off on placing orders.

As head of product at online retailer Nuts.com,

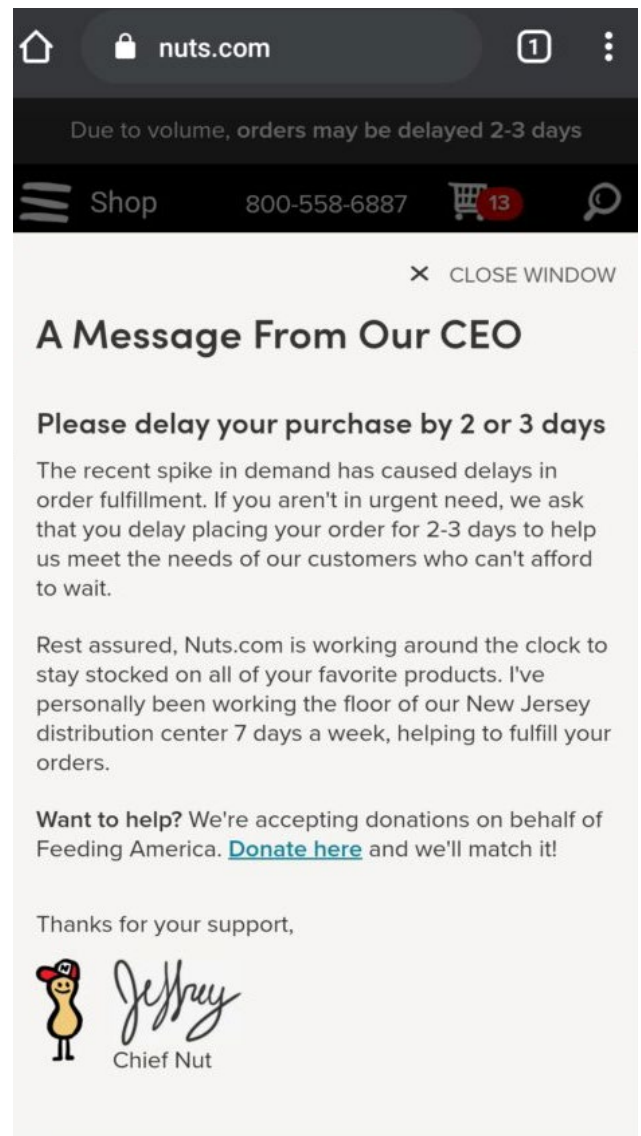
David Lerner normally works hard to increase the conversion rate on his ecommerce site.

But with the coronavirus pandemic driving a big increase in demand for such shelf-stable foods as the pasta and beans Nuts.com sells in addition to nuts and dried fruit, the e-retailer is trying to slow down sales.

"We have way too much demand and not enough capacity," Lerner says. "Supply is more or less okay, but we don't have the capacity to produce and fulfill the orders."

As a result, Lerner says, "We are doing everything we can to slow down sales so we can service our customers."

Nonetheless, sales are way up, increasing more than 50% last week over the same week a year ago. And Nuts.com is not just putting the extra revenue into its pocket: The e-retailer is pledging to donate up to \$100,000 to Feeding America, a nonprofit organization that supports more than 200 food banks serving the needy.



Note from Nuts.com CEO Jeffrey Braverman asking shoppers to delay non-essential purchases.

NUTS.COM ASKS CUSTOMERS TO HOLD OFF PLACING ORDERS

The steps to slow down sales include CEO Jeffrey Braverman asking customers to put off placing orders for a day or two if they don't need food immediately, so that those with a pressing need can get their products more quickly.

"If you aren't in urgent need, we ask that you delay placing your order for 2-3 days to help us meet the needs of customers who can't afford to wait," Braverman says in his note. The message appears on the website periodically, with Nuts.com displaying it when sales spike. "We turn it on and off as we try to keep sales at a good pace," Lerner says.

In addition, Nuts.com has halted almost all of its marketing and placed limits on certain items in high demand, Lerner says. It also has removed from its site items that sell slowly, so that warehouse workers don't have to waste time looking in back corners of the distribution center for a rarely ordered product.

The high demand also has led Nuts.com, which normally ships orders the same day they're received or the following day, to post a note on its website warning that, "Due to volume, orders may be delayed 2-3 days."

Another note on the site explains that, in the interest of safety, Nuts.com will not be taking returns for now, nor processing refunds. That

will prevent warehouse workers from getting infected by handling products sent back by people who are sick. But, the note adds: "We will do whatever it takes to make it right."

Lerner recognizes that having more demand than you can handle is a problem many retailers would welcome, and he hears from friends at luxury and fashion companies that their sales are way off. But in the end, ecommerce will benefit from so many consumers shopping more online at a time when many bricks-and-mortar stores are closed, and in many cases buying groceries on websites for the first time, he says.

Data backs that up. Online orders to full-assortment grocery merchants increased more than 210% from March 12-15 compared with a year earlier, according to Rakuten Intelligence, which tracks online sales via consumers' email receipts. Of shoppers buying food online recently, 41% were buying groceries online for the first time, according to a survey by Gordon Hackett Research Advisors.

"As people get comfortable shopping for food online they'll shop for more of everything online," Lerner says. "When the economy returns, ecommerce will be one of the big winners in all of this."

THE SHOPPER SPEAKS: SHUT-IN SHOPPERS FACE CORONAVIRUS HEAD ON

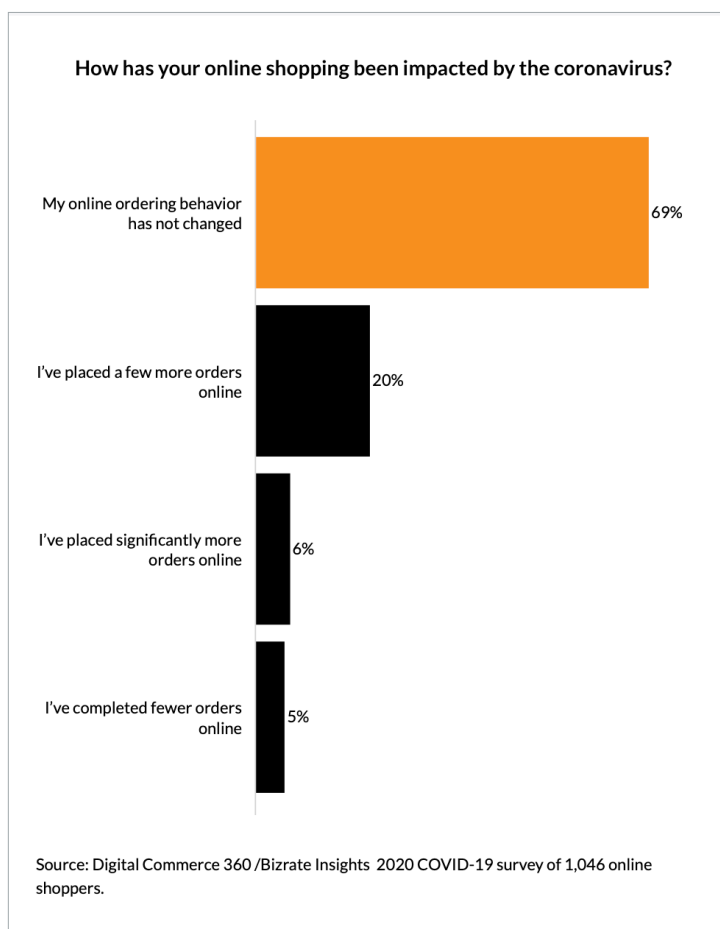
by Lauren Freedman

While 20% of online shoppers surveyed have placed a few more orders online, 69% of online shoppers report that their online ordering has not changed due to the coronavirus, according to a Digital Commerce 360 and Bizrate Insights survey. But it's still too early to tell if ecommerce sales will grow significantly beyond shoppers' initial needs.

Many retailers are dependent on their online shoppers. And some store-based retailers rely on foot traffic they're no longer receiving. At Digital Commerce 360, in conjunction with Bizrate Insights, we wanted to explore how shoppers are behaving in this new normal. Timing is everything, however, this research was completed the week of March 16. Of course, this situation is constantly changing and shut-in shopper behavior is fluid.

I'm not feeling much like shopping beyond household items. A new work-from-home outfit or an enticement from a teen-focused retailer to make a purchase for my daughter have gone by the wayside as the coronavirus has us trapped at home.

While 20% of online shoppers surveyed have placed a few more orders online, 69% of online shoppers report that their online ordering has not changed due to the coronavirus. It's too early to tell if ecommerce sales will grow significantly

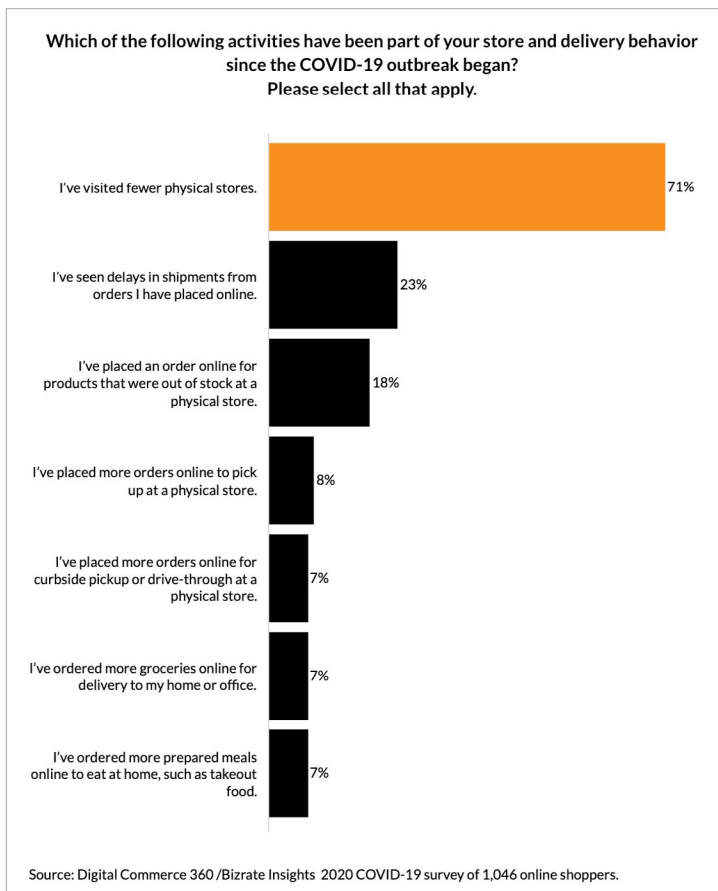


beyond shoppers' initial needs, especially given financial concerns and a lack of interest in non-essential purchases.

But consumers can do their part, moving beyond toilet paper and disinfectant. 66% of online shoppers have purchased an array of categories online. Shoppers focus their spending on critical needs while also addressing home goods, given shelter-at-home directives. The following categories are being purchased in at least double digits: food/drug (39%), disease-prevention products (24%), home goods (21%), apparel/accessories (13%) and books/music/video/software (11%).

56% of online shoppers do not anticipate experiencing shortages while they are ordered to stay at home. Online shoppers continue to experience in-store and online shortages with certain household supplies. Products seen as potentially unavailable during quarantine included household supplies (32%), disinfectant (26%), cleaning products (24%) and food (21%). Retailers should share messages with their shoppers regarding out-of-stocks, as well as limit quantities for purchase on a per-customer basis as many seem to be doing in physical stores.

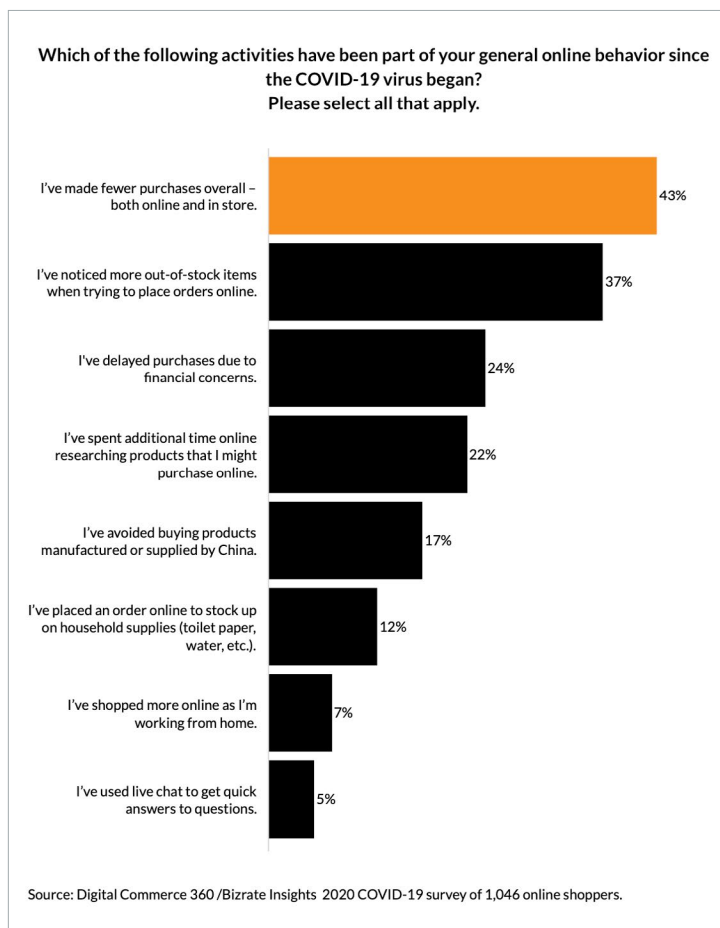
Online shoppers are placing more orders online, although shipment delays can be expected. Logistics are challenging, causing retailers to move beyond standard options.



Under these circumstances, communication will be critical to keep online shoppers in the loop on order status.

Store and delivery activities during COVID-19 find that 23% of online shoppers have seen delays in online order shipments. At the same time, online orders placed due to out-of-stocks in physical stores was a factor for 18% of those surveyed. Messaging from the government, along with visits to the store that finds items in stock within a few days, may be keeping online purchasing at bay. This will be an area to watch over time.

Purchasing has declined across channels and out-of-stocks are interrupting the typical shopping journey. Shoppers are delaying online ordering, and this can have severe implications on our economy and the retailers we enjoy buying from. 24% of online shoppers like me have delayed purchases due to finances. 37% of respondents spotted an increase in out-of-stocks online. Retailers must address out-of-stocks early in the customer experience as their frequency and subsequent frustration is increasing and problematic. Online shoppers continue to be price sensitive so product prices and shipping charges should see little or no increase during these unprecedented times. Increased research prior to purchasing (22%), particularly given the time shoppers now have, means shoppers can quickly assess a retailer's pricing strategy.



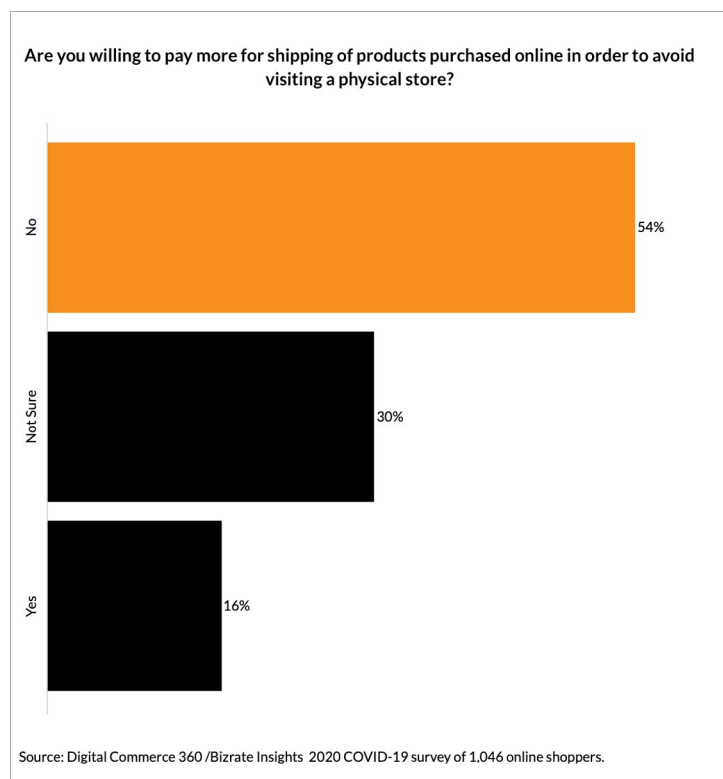
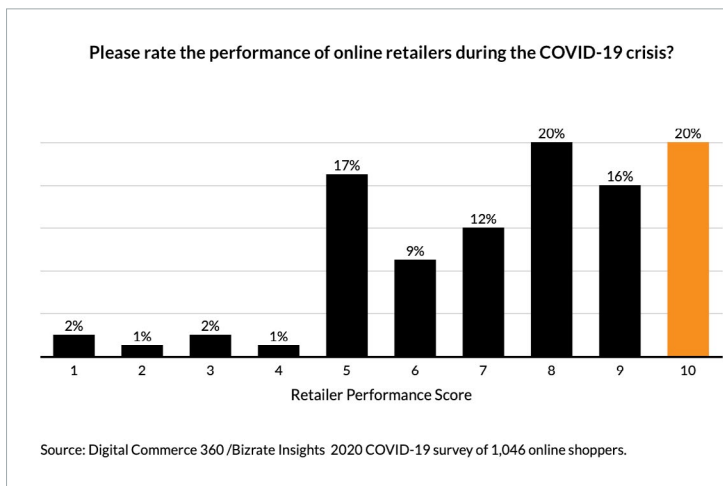
RETAILERS ARE READY

The good news to report is that more than half of online shoppers rate online retailer performance an 8 or higher during the coronavirus. Challenges with stock status and delivery issues are likely causing retailer performance ratings to dip below their usual high levels. Online retailer performance (1-10 where 10 is best) breaks out as follows:

- ▶ 8+: 56%
- ▶ 6-7: 21%
- ▶ 5: 17%
- ▶ Below 5: 6%

1. Be smart about pricing, particularly free shipping

Despite current circumstances, 54% of shoppers aren't willing to pay more for shipping when purchasing online versus in store. Only 16% of online shoppers are willing to pay more for shipping online orders. Retailers need to be conscious of pricing, particularly as personal finances are in peril. And they should be especially cognizant, knowing that "free shipping" is favored among online shoppers. But further store closures and business dynamics may limit shopper ability to secure free shipping. Online shoppers will be on the hunt for deals and, in particular, free shipping.



| Task | Joann | Michaels |
|---|--|---|
| Incentive to test curbside pickup | 25% off purchase | 30% off purchase |
| Placed order | 3/20@12:03 p.m. | 3/20 at 11:32 a.m |
| Time from placing order to product available for pickup | 86 minutes | 18 minutes |
| Time from call to store that associate brought product to the car | 5 minutes | 5 minutes |
| Anecdotal feedback | Within 10 minutes of posting curbside option, associates reported they had 10 orders and were receiving hundreds on 3/20 when order was placed | Every 3-5 minutes they were receiving a new order on 3/20 |

2. Creatively message to spur shopping

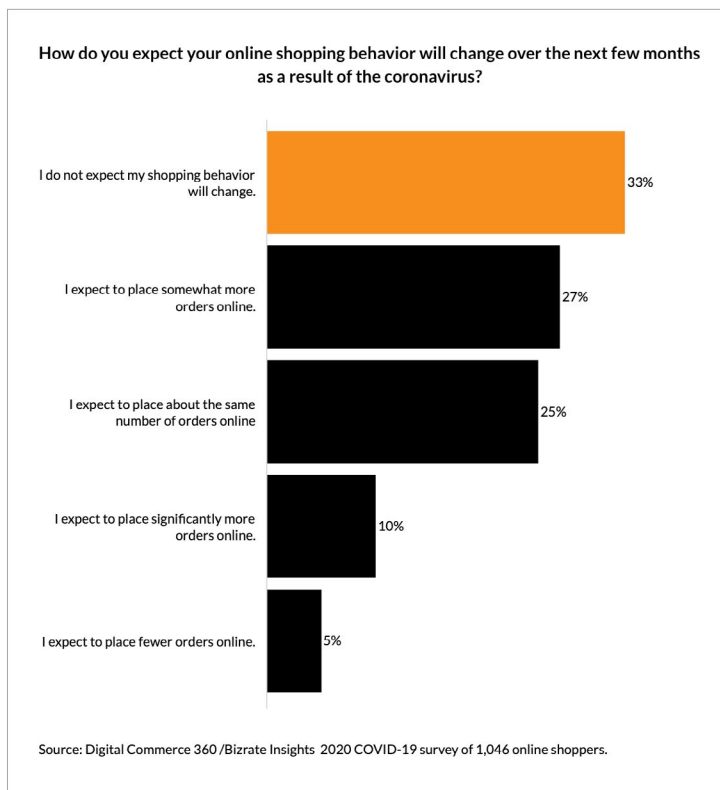
Retailer communication around the coronavirus is losing its impact. Almost all retailers have sent out public service announcements and when asked, “What do you think about the proactive messaging you are receiving from retailers?” 43% indicate they all sound the same. 35%, however, find them comforting. Retailers will need to make choices about how they message shoppers by balancing the coronavirus information and more standard marketing offers going forward.

While it’s difficult to see the positive during these trying times, the human spirit prevails. Many shoppers may respond when retailers have a sense of humor. Three email headlines caught my attention recently including:

- ▶ Anthropologie: WFH? Wear these, now 40%
- ▶ Madewell: In case you want to change into Jeans
- ▶ Uncommon Goods: Class is cancelled: Get a Kit

3. Offer shoppers alternatives to store visits

Curbside pickup is one example of how retailers are creatively making products available to shoppers. Many parents are challenged to keep their kids busy, and arts and crafts are a comforting, creative alternative to kids playing with something on a screen. Last week, I tested both Joann’s and Michaels’ curbside options and both yielded



positive results. As retailers known for coupons and discounting, they wisely extended them to bolster usage among their shoppers. Expectations around future online shopping behavior are in flux with current expectations unclear. It is simply too early to tell what behavior might be under this fluid situation. Projected online shopping behavior change is as follows:

- ▶ No change in shopping behavior: 33%
- ▶ Place somewhat more orders: 27%
- ▶ Place about the same number of orders: 25%
- ▶ Place significantly more orders: 10%
- ▶ Place a few orders: 5%

RETAILERS RAMP UP PHILANTHROPY AS THE CORONAVIRUS SPREADS

by Stephanie Crets

Some retailers donate funds to charitable causes, while others alter their manufacturing processes to produce products to support healthcare workers.

With the coronavirus wreaking havoc around the globe, retailers are stepping up. Some online retailers are donating funds to support various causes, while others are transforming their operations to produce necessary supplies, such as face masks, ventilators and other equipment.

As of April 13, 458 companies have donated \$6.7 billion in grants to 363 recipients, according to Candid.org, which tracks grant distribution and funding toward the coronavirus relief programs. Donors include Alibaba Group, Facebook Inc., Google and more. In the top three donor categories, companies have donated \$6.68 billion to organizations that combat infectious and parasitic diseases, \$6.68 billion to disaster relief causes and \$3.54 billion to medical support services.

Candid.org updates automatically as data and news are added to its database. The data is derived from news articles, funders who directly share their funding data with Candid and other sources. The news section pulls from 300,000 source articles that it regularly scans for relevant information. It did not respond to a request for comment on when it started gathering the data.

Among the retailers dedicating funds:

- ▶ Walmart Inc. announced it and the Walmart Foundation will donate \$25 million to organizations responding to the outbreak. That includes \$5 million to support global efforts to help countries prevent, detect and manage the coronavirus; \$10 million to support food banks, school meal programs and organizations that provide access to food for underserved populations; and \$10 million to support efforts in local communities in the United States and international markets.
- ▶ Target Corp. says The Target Foundation will be giving \$10 million to expand relief and assistance to its employees, as well as local, national and global organizations responding to the pandemic. This includes \$3 million to support national nonprofits, such as Feeding America and \$1 million to support organizations such as UNICEF.
- ▶ The Kroger Co. says The Kroger Co. Zero Hunger | Zero Waste Foundation is committing \$3 million to “support our neighbors in this critical time of need.”

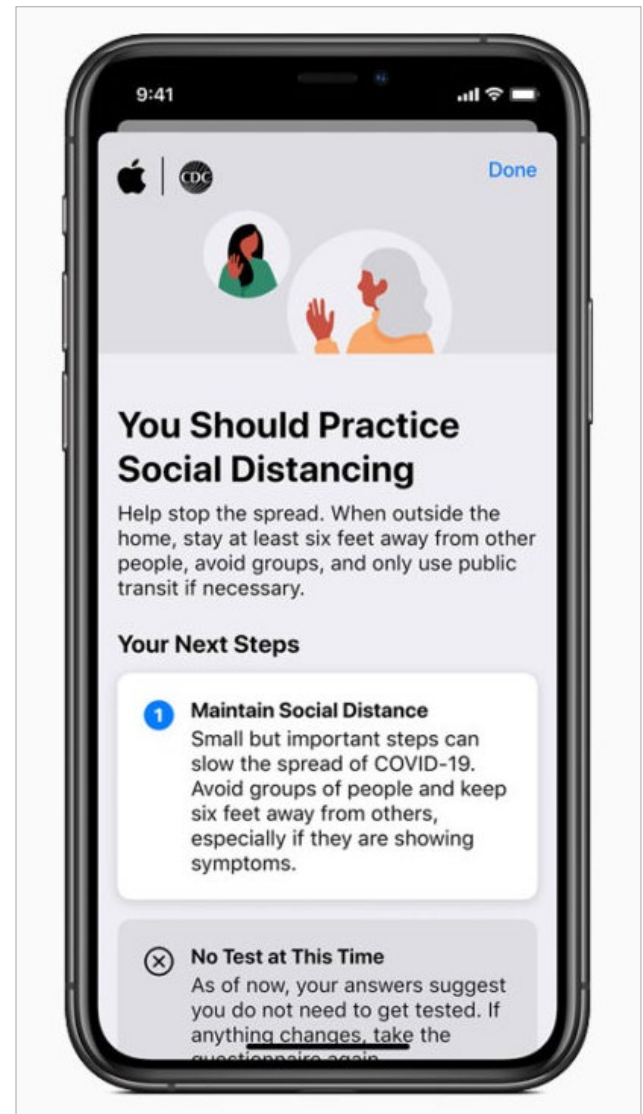
- ▶ Lowe's Cos. Inc. is committing \$25 million to support its associates, customers and communities, which includes a \$10 million donation in essential protective products for medical professionals. It also began a campaign called #BuildThanks, encouraging consumers to create do-it-yourself "Thank You" messages for healthcare workers on the frontline using objects they already have at home. Lowe's encourages shoppers on April 6 to display their DIY Thank You messages in their front yards, windows, porches and home exteriors.
- ▶ Nuts.com is encouraging website visitors to donate to Feeding America. Plus, the retailer pledged to match donations up to \$100,000. As of March 25, the Nuts.com website shows that it has received 1,211 donations, totaling \$44,565. Nuts.com matched that amount with its own contributions, making its total contribution to Feeding America \$89,130. In addition, Nuts.com is pledging to contribute \$2 of every sale of selected products to Feeding America. A note to that effect appears on the product pages for those items. This second campaign, which also began as the coronavirus spread, is "a way for customers to support the cause while also filling their pantries, in lieu of straight cash donations," says David Lerner, head of product at Nuts.com.
- ▶ Tech giant Google has pledged \$800 million in relief funds to its customers and health workers, which includes \$250 million in advertising credits for World Health Organization, \$340 million to small businesses to run promotions with Google and \$20 million to give researchers working on the novel virus credits to use the company's cloud-computing services, said Sundar Pichai, CEO of Google and parent Alphabet Inc.
- ▶ Apparel retailer Frye is donating \$1 to Feeding America for every Instagram post a shopper posts using the hashtag #AtHomeWithFRYE to encourage people to remain at home.
- ▶ Amazon.com Inc. says it is investing \$20 million to accelerate diagnostic research, innovation and development "to speed our collective understanding and detection of COVID-19 and other innovate diagnostic solutions to mitigate future infectious disease outbreaks."
- ▶ Ahold Delhaize, the grocery retail group in charge of brands including Stop & Shop, Food Lion and Giant Food, is donating a \$10 million relief package to address critical needs in the wake of the coronavirus pandemic: \$2 million for its employees and their families in times of need; \$3.5 million to feed and care for communities on the East Coast through its local brands' efforts; \$3 million through its local brands to support other organizations; and \$1.5 million to provide pivotal funding to support medical research to create a vaccine and cure for COVID-19.

- ▶ Grocery retailer Thrive Market's Thrive Gives program recently launched a COVID-19 Relief Fund for families in need. To date, it has raised more than \$200,000 and given grocery stipends to more than 1,300 families in need.
- ▶ Yoga apparel retailer Lululemon's senior leadership team is reducing its salaries by 20%. It plans to use the cost savings to establish the new We Stand Together Fund to aid employees affected by the current COVID-19 crisis who are facing hardships in their lives.

Among the retailers producing or donating supplies:

- ▶ Walmart Supercenter is allowing two of its parking lots in the Chicago area to be converted into sites where first responders and healthcare workers who have potentially been exposed to the coronavirus can be tested to see if they have COVID-19.
- ▶ Target plans to set up temporary testing locations for consumers who think they may have the coronavirus, the retailer said. "We're currently working with officials and task force partners to identify select Target real estate that can serve as temporary testing locations, and on the specific testing details," Target wrote. (It has not provided an update on these testing locations.)
- ▶ HP Home & Home Office Store, which sells computers, printers and office supplies, says it is donating millions of dollars in technology to help students, families and communities. It is also "mobilizing our 3D-printing team and HP's digital manufacturing partner network to design, validate and produce essential parts for medical responders and hospitals. This includes parts such as ventilator valves, breathing filters and face mask clasps, as well as entirely new parts such as plastic door handle adaptors which enable easy elbow opening to prevent further spread of the virus," the retailer wrote in a press release. "We will make available any HP proprietary design files for these parts so they can be produced anywhere in the world."
- ▶ Winter apparel retailer Canada Goose will use two of its manufacturing facilities in Toronto and Winnipeg for production of necessary medical gear—mainly scrubs and patient gowns—for healthcare workers and patients to distribute to hospitals this week. The retailer's goal is to produce 10,000 units of scrubs and gowns with about 50 workers in each facility. "Now is the time to put our manufacturing resources and capabilities to work for the greater good," said president and CEO Dani Reiss in a press release. "Our employees are ready, willing and able to help, and that's what we're doing. It's the Canadian thing to do."

- ▶ Google plans to work with Magid Glove and Safety Manufacturing LLC, a supplier based in Illinois, to produce 2-3 million face masks in the coming weeks.
- ▶ LVMH, the world's largest luxury goods company and owner of the Louis Vuitton brand, is joining the fight to help combat the coronavirus in France by making large quantities of hand sanitizer. The luxury goods brand during the week of March 16 converted three of its cosmetic facilities to manufacture hydro-alcoholic gel for French health authorities for free. The gel will be provided for as long as necessary.
- ▶ Sports apparel and merchandise retailer Fanatics (owned by Kynetic LLC) plans to convert its Easton, Pennsylvania, facility that makes official MLB jerseys into facilities that produce masks and gowns for hospital workers, according to Fanatics founder Michael Rubin. It will use jersey fabric to produce the products.
- ▶ Apple Inc. developed a screening tool and set of resources to help consumers stay informed, based on the latest CDC guidance. The COVID-19 website and COVID-19 app are available in the Apple app store and were created in partnership with the CDC, the White House Coronavirus Task Force and FEMA. On the app and website, consumers can answer a series of questions around risk factors,



Apple's COVID-19 app includes resources and information about symptoms and how to get tested.

recent exposure and symptoms for themselves or a loved one. Then, they will receive CDC recommendations on suggested next steps, such as social distancing and self-isolating, how to closely monitor symptoms, whether or not a test is recommended and when to contact a medical professional.

THE SHOPPER SPEAKS: OMNICHANNEL IS OMNIPRESENT AMID THE CORONAVIRUS

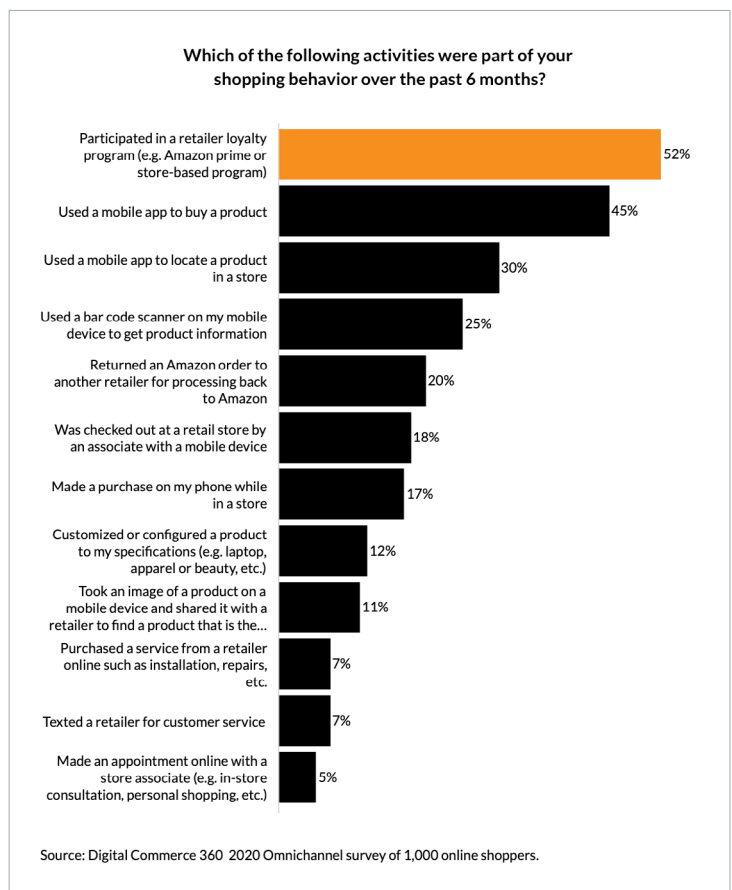
by Lauren Freedman

Amid the coronavirus pandemic, cars are safe havens for shopping and mobile devices are central. Shoppers use smartphones to locate products before heading to stores, while in stores to make purchases and to enhance efficiency during these chaotic times.

There is a feeling of panic. The messaging is non-stop from the media as well as the retailers. Only a week or two ago, shoppers had no issues when shopping, and now they receive no delivery or pickup times available from retailers. Consumers are flocking to the stores, at least grocery stores and mass merchants like Target, Walmart and Costco. In some stores, shelves are empty, and it's challenging to know what to do first.

It is difficult to focus, and many of us are ordering more than we need. As shoppers rush to buy local, they are also taking advantage of omnichannel options provided by retail stores. The foundation of omnichannel is inventory, which is certainly challenging. Shoppers are asking themselves four basic questions, and retailers must be in a position to respond.

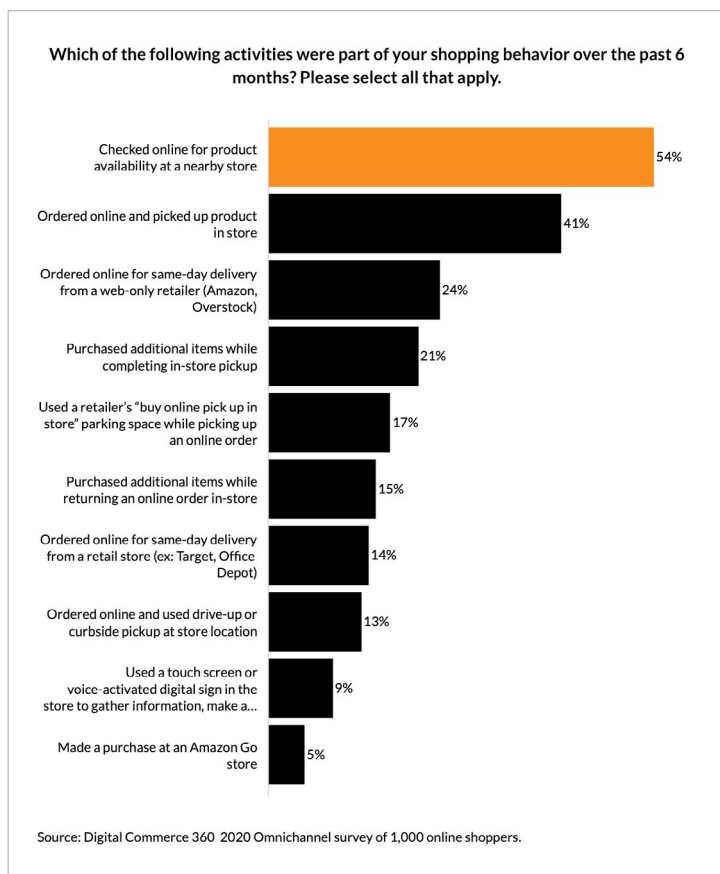
- ▶ Is it in stock?
- ▶ Where is it available?
- ▶ What is the most convenient location?
- ▶ How fast can I get it?



Over the past few days, I have placed several orders at Target. One came back with no inventory once the order was being picked while the other three went through the system. Another experience was shared by a coworker who was in need of asthma medication for a child: After having the order confirmed, she ultimately received an email that the product was no longer available. This may be the new normal.

Despite issues with in-stock items, my store pickups were smooth. During my Chicago-based store pickup visit March 16, I spent time chatting with the BOPIS team in store. They said weekday volume was more like a typical Saturday, but they were managing. The only challenge one associate alluded to was handling aggravated customers when inventory was inaccurate and communication from Target said the order was confirmed and being processed, when in fact subsequent alerts would indicate otherwise. In a similar vein, another coworker picked up at a suburban Target location, and associates there said they were receiving 10 times their normal volume. They said they had to turn off the system to catch up.

Earlier this year, Digital Commerce 360 and Bizrate Insights surveyed 1,000 online shoppers in which omnichannel behavior was already an integral part of their online shopping.



A quick review of the findings suggests that 78% of online shoppers are omnichannel active with behavior as follows:

- ▶ 54% of online shoppers checked inventory at nearby stores
- ▶ 41% of online shoppers took advantage of BOPIS
- ▶ 24% ordered online for same-day delivery from a web-only retailer such as Amazon.com or Overstock

Mobile in many ways fuels omnichannel activities even more, and a few stats from our research showed the status before COVID-19:

- ▶ 45% have used a mobile app to buy a product
- ▶ 30% have used a mobile app to locate a product in-store
- ▶ 17% are making purchase on their phones while in-store

We also would expect that many omnichannel options will see greater adoption in the weeks and months to come. Our cars will become safe havens for shopping. Mobile devices will be used to locate product before heading to stores, while in stores to make purchases and to enhance our efficiency during these chaotic times.

One can only assume that these numbers have accelerated under COVID-19.

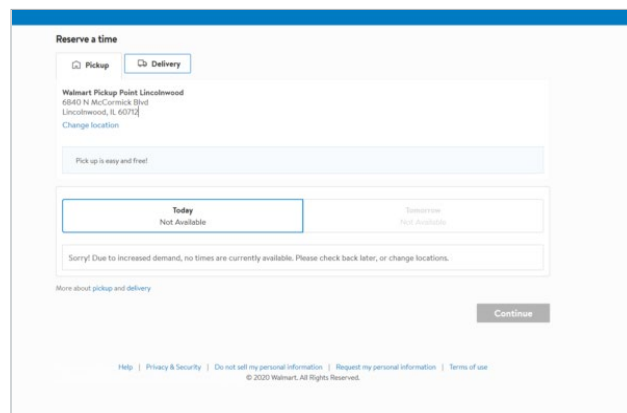
FIVE DIGITAL TRENDS IN A COVID-19 WORLD

There are five elements of omnichannel and store-related circumstances that are coming to light.

1. Availability is compromised

This may be the most challenging area as stock is low, supply chains are challenged and shoppers are living in fear. Retailers must make more of a concerted effort to maintain accurate inventory or risk disappointing their customers. It's less frustrating for shoppers to be told an item is not available at the outset rather than afterwards, as they may assume their order is 100% foolproof as it always has been. Otherwise, they will have filled their carts only to find no pickup and delivery options available.

While Jewel and most grocery stores are in desperate straits, the "Thank you for your patience" message may help keep aggravation to a minimum. The doors in my neighborhood show reduced hours—now open 6 a.m.-10 p.m.



Walmart shows no available order pickup times on Walmart.com.

rather than 24 hours. I spoke to one of the delivery drivers on the front lines. He said that, while he typically does 200 deliveries per day, they have been reduced to about 85 given out of stocks and supply challenges facing grocery stores. I asked if he feared for his job, but he said delivery was the future.

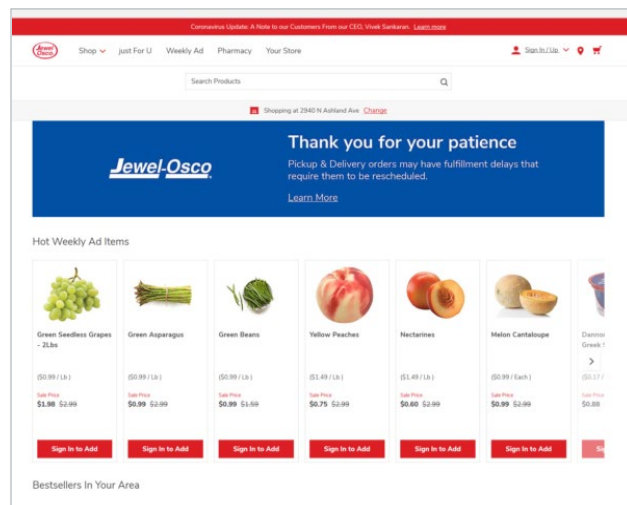
2. Making smart communication choices

This is a time retailers must absolutely get communication right. Customers are living on the edge, and both onsite and email communication should be ratcheted up to address these dynamics. Costco's onsite messaging assured shoppers that they would attempt to meet delivery promises. They do caution that they apologize in advance for late deliveries, which are certainly going to happen under these circumstances. This type of approach is clear and candid and sets realistic expectations for consumers.

3. Store survival in play

Large retailers have a multitude of resources to confront viability. Alternatively, smaller retailers are testing a myriad of solutions to stay afloat.

Sometimes humor goes a long way, and this was certainly the case with the email-marketing message from Elements, a high-end Chicago boutique. As I have always found, shopping can be therapeutic. The retailer suggests turning to social media and taking advantage of virtual shopping.



Grocery retailer Jewel-Osco thanks shoppers for their patience as it deals with an influx of grocery delivery orders.

4. Changing customer needs can be addressed

Office Depot knows that many of our kids are at home using e-learning. The office supplies retailer has put together bundles to help parents get through this crisis. The retailer ends its email by letting shoppers know its stores are open. I placed a BOPIS order for printer ink not knowing the fate and timing of delivery vehicles. A sure thing seems so much more important in these trying times. When I arrived at the store, there were a few customers mulling about and in-store signage reflected work-from-home point of sale. The associate who checked me out shared that in-store pickup levels are similar to prior weeks, but that store purchases of tables and chairs to set up home offices are peaking. When I questioned if the stores would remain open, the associate suggested that they had not heard otherwise.

5. Show the shopper some love

Over the past few days, retailers are beginning to express their concerns by closing stores and messaging their customers. Though many of us aren't in a spending mode, some retailers are extending promotions to spur their own businesses and the economy. Hopefully this will help with some of the financial challenges all of us will be facing in the near term. For example, Everlane is sharing \$50 best-selling denim styles. I also received an email from BraSmyth, offering 20% off during these turbulent times. More will certainly be on the way.

WE ARE ALL IN THIS TOGETHER

We are living in uncharted times and that means testing creative solutions to the toughest of problems. Shoppers are ready, and retailers must meet them with compelling omnichannel solutions and prices that push them to buy. At the same time, all of us need to be compassionate and caring for associates, drivers and those who stock the shelves where we shop.

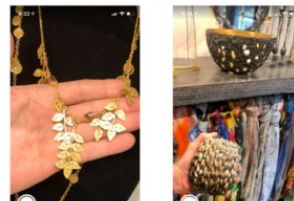
There is no need to distance oneself from shopping entirely

(In fact we've heard it can be quite therapeutic!)

We are taking all measures to keep the store environment sanitized and our customers and employees healthy and safe, but if you're stuck at home why not make the experience as fabulous as possible? We're here to help.

As always we post regularly on social media
@elementschi
and have our shoppable website
www.elementchicago.com
but now we would also like to introduce the concept of

Virtual Shopping



Elements encourages customers to virtually shop in its Chicago-based stores.



Everlane's Monday all-hands meeting. 25 of 219 pictured.

We're in this together.

What a time this is for all of us. At the Everlane virtual headquarters, many of us spent the weekend grappling with our new reality and how, as a company, we can best show up *and* run our business during this time.

Everlane's onsite messaging shows that its team is working from home and practicing social distancing.

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