# **READING: How Covid-19 is Changing the E-Commerce Supply Chain**

**April 27, 2020** | by Jake Rheude, SCB Contributor – <https://www.supplychainbrain.com/blogs/1-think-tank/post/31142-covid-19-is-changing-the-e-commerce-supply-chain>

The coronavirus pandemic is causing whiplash within many supply chains, especially those of e-commerce companies. Dramatic spikes in orders follow reductions in manufacturing and shipping lanes, along with an expected slowdown in orders as products go out of stock and marketplaces prioritize the goods they deem essential.

Upheaval is here, and e-commerce companies along with their supply-chain partners are going to have to think of new ways to respond. Here are a few big-picture observations that can guide individual action toward mitigating risk and help prepare for today’s unfamiliar environment.

Two points must be addressed before getting deeper into upstream and downstream operations.

First, protect your people. Do your best to get them the safety equipment they need. Become creative with budgets and spending, to ensure that people can go home if sick or take days off for their mental health, and still have jobs to come back to. People are always your greatest asset.

Second, think about what you’re going to ask partners. Come at it from their perspective, determine whether they’re the type of business that can afford a [hardship deferral](https://redstagfulfillment.com/leading-managing-business-successfully-crisis/), or are in a tight spot just like you. Be the best partner you can be.

If you’re struggling, consider your options outside of existing partners. Many e-commerce companies and their supply-chain partners in the U.S. meet the federal definition of small businesses. If that includes you, start with the U.S. Treasury Department’s specific page for [Assistance for Small Businesses](https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses), to learn about the Paycheck Protection Program (PPP).

Now, let’s get into broader supply-chain efforts.

Begin with the end of your supply chain: the people who are buying your goods.

Customers are changing their purchasing habits right now. Many are spending on essentials, [creating shortages](https://www.pymnts.com/news/retail/2020/can-ecommerce-overcome-covid-19-strain/) across both e-commerce and brick-and-mortar retail. They’re upending predictive models and shifting spending to new stores, channels, and product lines. At the same time, companies that don’t deal in essentials are facing spending shortages, as millions of people find themselves out of work.

Customers are changing in major ways. E-commerce businesses must find ways to address novel customer needs or target new markets in order to keep their businesses healthy. When the e-commerce storefront fails, it impacts everyone else upstream and down.

Consider looking for areas where you might shift from a B2C to B2B approach. If you sell shoes or clothing, for example, reach out to your manufacturers to see if they produce uniforms and business equipment that you can add to your store. These new products may help you approach cleaning and maintenance services that are still employed or carrying items such as non-slip shoes and cleaning products and could help you become a partner to local hospitals and care facilities.

Revenue losses and a lack of in-person dining are sending more restaurant owners and managers to their kitchens as they try to keep their businesses afloat. They may have the equipment needed for the business, but they could lack personal items like the clothing or shoes that are needed to protect themselves in these new roles.

Learn what kinds of businesses are facing work stoppages or are remaining open in your target areas and see if you can adapt to their needs.

If you sell educational items, such as toys and workbooks for lesson plans, consider reaching out to school districts. Depending on your inventory, being able to send products to every child in a specific class or grade within a couple of days makes it significantly easier for schools to adopt new tools and learning options. When you approach these potential customers, ask what they need, and tell them what you can supply before quoting or making a hard push.

Everyone is scrambling, so focus on being helpful.

Established players and channels are being just as disrupted as small shops. That’s one reason we’ve seen some of the biggest changes coming from Amazon, as it changes its Fulfilled by Amazon (FBA) requirements and the types of goods it’s accepting. [FBA sellers are saying](https://sellercentral.amazon.com/forums/t/temporarily-prioritizing-products-coming-into-our-fulfillment-centers/592213/689) that there still isn’t clear guidance for everyone about the scope of the change.

Amazon has stopped accepting shipments for non-essential goods from wholesalers and other third-party distributors, as it attempts to prioritize warehouse space and products for its COVID-19 response. This is an entirely understandable response, given the need to focus on the availability of critical items destined for hospitals and similar locations.

Unfortunately, it has done some harm to small businesses and e-commerce companies that rely on Amazon for both sales and order fulfillment. Right now, the company is giving a slight preference to sellers who use outside fulfillment not as a matter of policy, but of practice. If you’re able to meet Prime requirements without using an Amazon facility, you can keep selling and filling orders without being disrupted by Amazon’s changes.

E-commerce companies need to be looking at new markets and channels to sell their goods, as well as alternatives for how they ship them. They should test multiple third-party logistics (3PL) providers. Sometimes that means splitting inventory over the long term so that supply is never completely disrupted by something like a disease outbreak or natural disaster such as a fire, earthquake, or hurricane.

Diversity is a best practice for people, customers, and business processes.

Upstream supply chains are tricky things to try and change dynamically. You’ve got to have relationships and alternatives already established, plus a plan to help your team know when to switch things before trouble starts. When you’re purely reactionary, everything becomes more difficult, as you try to gain suppliers who are themselves experiencing shifting demand.

Long-term, we expect to see e-commerce supply chains become much larger. While total order volume for any given company might not increase, it’s likely that many will start sourcing products from multiple suppliers, arriving from a variety of countries by ocean, air, and rail.

Local manufacturers as well as raw-material suppliers will also see an increase in demand. To mitigate risk through creation of a diverse upstream supplier base, companies must eliminate single points of failure all the way back to raw materials and processing services.

Individual businesses could respond to all this in diverse ways. Simple operations include getting more manufacturers to make products, then doing final packaging or kitting with a 3PL. Moving that process onshore minimizes the potential for disruption and turning to a 3PL will broader your overall partner list.

One of the biggest things we expect to see industry learn from COVID-19 is that we need to spread our eggs over many more baskets than we have right now. Over-reliance on any single country or region for manufacturing can lead to weeks of delays for goods. Having only one or two marketplaces results in significant shortfalls and business peril when companies change practices. Running super lean might keep costs low, but it comes with the risk of revenue disruptions when large-scale delays hit.

For small e-commerce businesses, or vendor in many supply chains, it’s time to reach out to others. Let your partners know how your operations are doing and ask how they’re handling the crisis. Help where you can and ask for help when you need it. Share the information you have about anything you know, even general operational data.

All the relationships you’ve worked hard to perfect can pay off simply because you’ve been a good partner. It’s time to take care of one another, so we can make it easy to care for as many workers and families as possible.

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***Directions:*** In your own words, write a summary of how e-commerce is meeting the demands/changes brought about by the Covid-19 pandemic. Include your opinion on where you see future challenges for e-commerce.

Assignment is worth 50 points.