

Supply Chains Are Strained as the Pandemic Causes a Surge in Online Orders

How are big retailers like Amazon handling the pressure?

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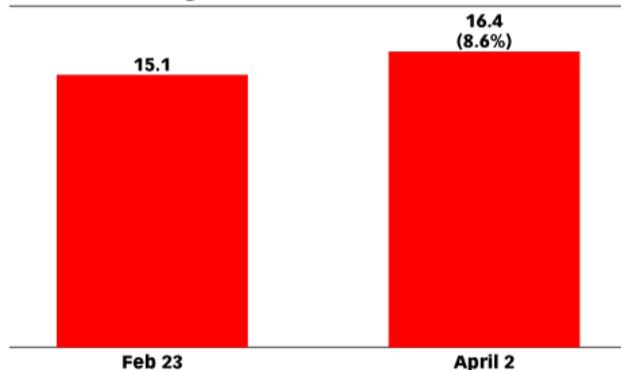
Consumers have been conditioned to expect fast delivery of online orders, but the pandemic has flashed a spotlight on how strained supply chains can get—even among savvy retailers like Amazon, which heavily focused its business on expedited shipping.

Right now, the supply chain is disrupted, and there is no easy way for retailers to guarantee a specific delivery time. Many retailers are sending out products as quickly as they can, but due to fewer delivery drivers—as well as an overall reduced pace of work—this process is slower than it was in a normal economy.

What's more, fulfillment times are taking much longer than usual. According to analysis based on packages delivered by clients of Convey, a supply chain management company, it took over an hour more to fulfill digital orders on April 2 compared with February 23.

Change in Digital Order Fulfillment Time Since the Coronavirus Outbreak Among US Retailers, Feb 23-April 2, 2020

hours and % change



Note: based on packages delivered from Convey's clients; broader industry metrics may vary

Source: Convey, April 7, 2020

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This will likely continue as more consumers turn to online shopping to get essential products while sheltering in place.

“The majority of delays aren’t necessarily related to sellers—it’s the delivery friction that’s slowing things down,” said James Thomson, a partner at Buy Box Experts and former business head of Amazon Services. “When the economy bounces back, which based on analyst predictions could be anywhere from weeks to months, we’ll see that translate to delivery time.

“Unless a retailer has its own last-mile delivery capability, I don’t see it being able to do much other than setting expectations with its customers that delivery times will be longer. Even a company like Amazon can’t keep up—and it owns thousands of last-mile delivery trucks.”

While Amazon has experienced delays in delivering orders within its normal one-day and two-day shipping windows, the ecommerce giant is “arguably doing more to fix the capacity constraint than any other retailer out there,” Thomson said. Indeed, the company has said that it’s planning to hire 100,000 new employees, many of whom will be handling last-mile delivery in key cities across the US.

The good news is that consumers are aware of delays and, for the most part, understand why they’re happening. “To mitigate backlash from

consumers and avoid customer churn, sellers must ensure that their order processing and handling times are on par with competitors,” said Victor Rosenman, CEO of Feedvisor, an optimization platform for Amazon sellers. “They may not be able to control the actual speed of the delivery, but they do control their own speed of order processing. Assuming everyone uses the same delivery vendors, it is the order handling and processing times that differ between sellers on Amazon.”

It’s important to note that retailers in the US are not the only ones feeling a strain on their supply chains. Delays are occurring worldwide. “International shipping standards are much different from domestic shipping,” said Laurie Ciecuch, director of ecommerce parcel services at International Bonded Couriers. “A vast majority of international small parcels travel through the post, and transit times typically range from four to 18 business days worldwide through the USPS.

“In this crisis, each individual country has specific rules and changes with respect to delivery standards for the health and safety of its residents. Currently, there are delays and complete stoppages of mail and parcels in many countries.”

Clear communication is especially key these days. While many consumers are aware that packages may not arrive as quickly as they would like, a simple acknowledgment from a company can drive long-term loyalty.

“Ecommerce companies like Chewy, for example, have a great system in place that is playing out favorably for customers who are on their auto-ship program,” Ciecuch said. “They reach out to auto-ship clients and ask if they would like to make order renewals sooner to avoid delays. This helps win loyalty.”