What COVID-19 Means for Ecommerce Startups



A firsthand account of how supply chain disruptions are just the beginning.

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A lot of small businesses have been affected by the COVID-19 pandemic and its global spread. I wanted to give a firsthand account of how this situation has personally impacted my company and those I work with, as well as offer some perspective to help businesses move forward.

I am the cofounder of Darkroom, a digital-marketing agency that helps ecommerce companies build their brands and drive revenue through online channels. We also work extensively with sourcing networks and are in the process of launching a luxury

sneaker brand called NERA.

I was one of the early alarmists among my co-workers and friends when COVID-19 emerged in Wuhan. I was aware of how lucky we were to have avoided a total SARS outbreak back in 2002.

The writing was on the wall….

However, this didn't keep me from traveling to Ukraine and Italy in February, as COVID-19 still seemed to be isolated to China. I shot an ad campaign at our shoe factory in Italy and finalized our production run. After that trip, however, the virus quickly escalated. Italy saw a tremendous spike in cases just four days after we had departed.

Now Italy has been under total lockdown for weeks, our factory has shut down and the United States is racking up cases at an alarming rate – particularly in my home state of New York. I have seen businesses I work with go from doing well to rethinking their entire operation, while others have gone from good to great.

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Consumer sentiments have changed drastically. Luxury-goods clients have slashed creative budgets. Layoffs have begun. A lot of people have asked me how bad this is going to get. There are a couple things we must remember moving forward.

Nice-to-have products must adapt to survive

In economic downturns, consumer demand for "nice-to-have" products goes down as buyers focus on their more basic needs. Health, wellness and safety – products that fit into the lower

parts of Maslow's Hierarchy of Needs — become the top priority.

For venture-backed and bootstrapped startups either pre-launch or in their initial stages, the coronavirus situation may necessitate a shift in strategy. Strands Hair Care, a direct-to-consumer custom shampoo and conditioner brand backed by data, is one example of a startup that is adapting to changing consumer preferences.

Eric Delapenha, the company's founder and CEO, explained to me during a recent phone call that he has been very cautious with the coronavirus situation: "The way we position Strands will be paramount if we are going to go through with this. If we shut everything down right now, it would be a travesty."

The crisis has prompted them to highlight specific aspects of the brand that are relevant to new consumer norms, and they've begun to test ads that focus more on the consumer and their need for self-care from the comfort of their home.

"Our customers still want to look and feel good," says Delapenha. "Our messaging has not changed that much; we're just highlighting different needs. We're focusing on how to do that now."

Overseas supply chains are bound for disruption

The World Health Organization has confirmed COVID-19 cases in almost every country. If you source products from particularly hard-hit areas, expect delays or timeline changes associated with producing or shipping as the situation evolves, if this has not already been the case.

Some factories will try to stay open. Despite the government-mandated, non-essential-labor shutdown in Italy, many factories (including our own) remained open through late March

until the country finally closed them down. This will likely start occurring in other parts of the world.

Factories that insist on staying open will still experience issues. Facilities that insist on taking orders may not be able to fulfill orders and instead may be relying on immediate cash flow to hold them over.

A factory can’t move into production if virtually all of their raw material suppliers are shut down. Delays are inevitable, and as a small business, it’s important to predict these issues and make an informed decision.

Unfortunately, smaller businesses will most certainly be placed behind larger corporations for order fulfillment when production ramps up again. At our factory in Italy, which produces for some of the most notable European fashion houses, we will be considered lower priority in terms of production, potentially causing further delays.

In times like these, production diversification has distinct advantages. For those that have not already diversified, it’ll be important to prepare for when things do get back to normal.

Create new opportunities in select markets, and diversify production

COVID-19 has resulted in accelerated customer acquisition as market conditions favor certain brands. For instance, there has been a significant uptick in cannabis sales, as California labeled cannabis companies “essential businesses” for their health benefits. In this case, self-quarantine causes customers stuck at home to try new products, especially those with positive mind and body attributes.

Michael Kamins, a partner at OpenNest and the founder of Humakina, expressed to me how even a positive market impact necessitates a heightened sense of preparedness for pre-launch

brands: “We have been adapting our launch strategy for a COVID world. There have been no holdups in our supply chain thus far, and we feel very fortunate for this. But we understand that the rapidly evolving developments might cause negative impacts on supply chains at any time. We are continuously monitoring the situation, assessing the impacts and preparing actions to respond.”

A fairly diversified supply chain also helped Humakina. When critical suppliers in China shut down, U.S.-based operations continued. Open communication with multiple stateside suppliers helps them prepare for additional shutdowns, a practice other businesses should emulate coming out of this crisis.

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Now’s the time to move forward with confidence

Things will eventually go back to normal as infection rates decrease, markets rebound and people go back to work. However, the timing of this rebound is still unclear and might not occur for several months. In the interim, brands that don’t fit into those immediate needs discussed above may need to alter the way they communicate value propositions to their customers and look for opportunities to capitalize on changing consumer preferences.

There is a lot of uncertainty right now for small businesses, but with that, there is tremendous opportunity. Stay healthy, and use this period to your advantage to consider how you can improve your operations for the future.

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