

How Your Ecommerce Business Can Thrive in an Economic Downturn

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With the global economy screeching to a halt amid the rapid spread of the coronavirus, how do you plan to keep your ecommerce business profitable?

— Introduction

There's no denying that the global economy will be disrupted for the next several months due to the coronavirus (COVID-19) outbreak.

While restaurants, retail stores, offices, and factories temporarily cease operations to help combat the spread of the virus, the threat of a global recession doesn't seem far off. In fact, some are saying it's [already here](#).

But here's the thing...

While it's easy to get pessimistic about the prosperity of your online business during challenging times, there are actions you can take that increase your chances of surviving, or even thriving, during economic downturns.

As fears about the global pandemic loom over the heads of consumers, now is the time for companies to start taking the necessary steps to prepare for a recession. In this report we'll be focusing on the impact that COVID-19 has had on ecommerce businesses thus far, and then discuss how companies can use times of economic decline to their advantage.

Here's what we'll be covering:

- How has the ecommerce industry been impacted?
- The need to be lean
- Focusing on your high-value customers, products, and channels
- How to create the highest customer lifetime value (LTV)
- Where conversion rate optimization comes in

How has the ecommerce industry been impacted by COVID-19?

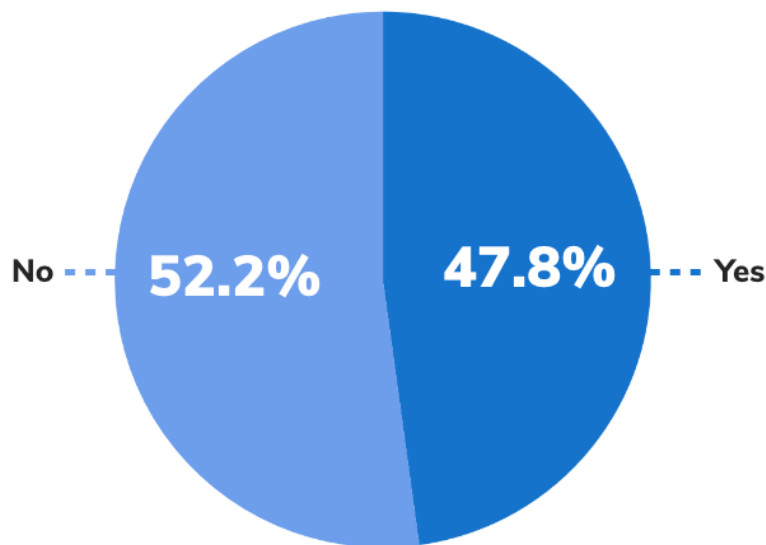
To get a clearer understanding of the impact that the pandemic has had on the ecommerce industry thus far, we conducted a survey of our audience (mainly comprised of ecommerce store owners/managers). Here's what we learned:

KEY TAKEAWAY

Ecommerce sales have taken a hit, but not for everyone.

Despite consumer confidence being on a steady decline for the last [six weeks](#) in the U.S, ecommerce sales only seem to be partially impacted by COVID-19. The survey results show a nearly equal split between ecommerce businesses that have and have not experienced a negative impact on total sales.

Have your ecommerce sales been negatively impacted by the recent health and economic events?



As more consumers self-isolate to hinder the spread of the virus, we're predicting ecommerce sales to trend upward.

Ryan Garrow – Director of Partnerships and Client Solutions at [Logical Position](#) – had some interesting data to share regarding the positive impact that COVID-19 has had on their 4000+ clients' online shopping impressions since mid-February:

- From January 1–February 17th, shopping impressions were up by 17% YoY, and shopping revenue was up 13.38% YoY
- From February 18–28, shopping impressions spiked and averaged a 34.3% increase YoY
- Between March 1–9, shopping impressions continued to trend upward by an increase of 27.9% YoY

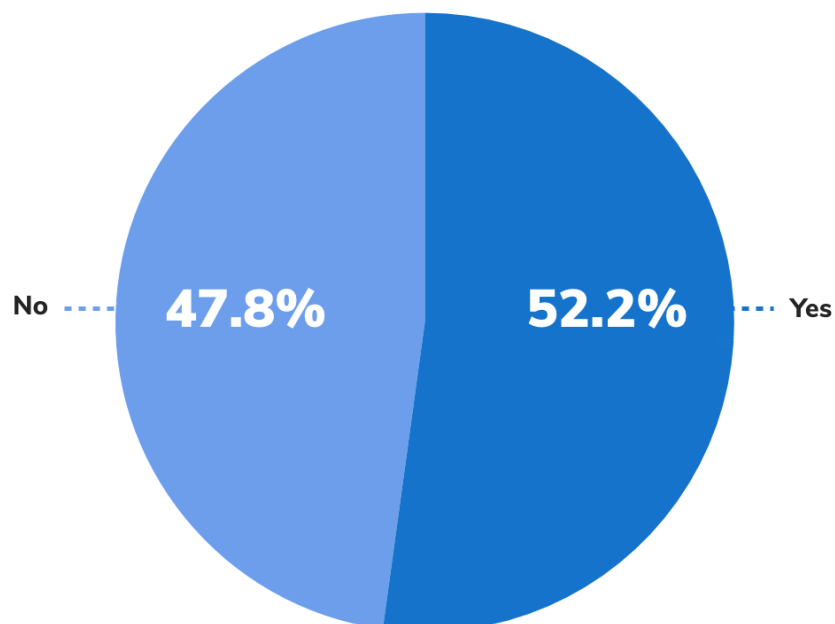
This is reassuring data to see, especially when brick-and-mortar retail stores are taking such a big hit from decreased foot traffic.

KEY TAKEAWAY

Ecommerce store owners are expecting to see sales grow as consumers move online for their shopping needs.

Over half (52%) of respondents said that they expected to see their ecommerce sales grow as a result of the coronavirus.

Do you anticipate seeing your ecommerce sales grow as people take health precautions by not shopping in retail locations?



Despite dropping consumer confidence, it's very possible that the ecommerce industry could weather the storm fairly unscathed. It's still too early to tell how companies will be impacted. Ecommerce sales could shift either way depending on how events unfold in the next several months.

If the U.S. economy slows to a screeching halt, ecommerce businesses will take a hit, but it's still too soon to be making those predictions. What's important right now is that your business has a clear strategy for how it will remain profitable through times of recession.

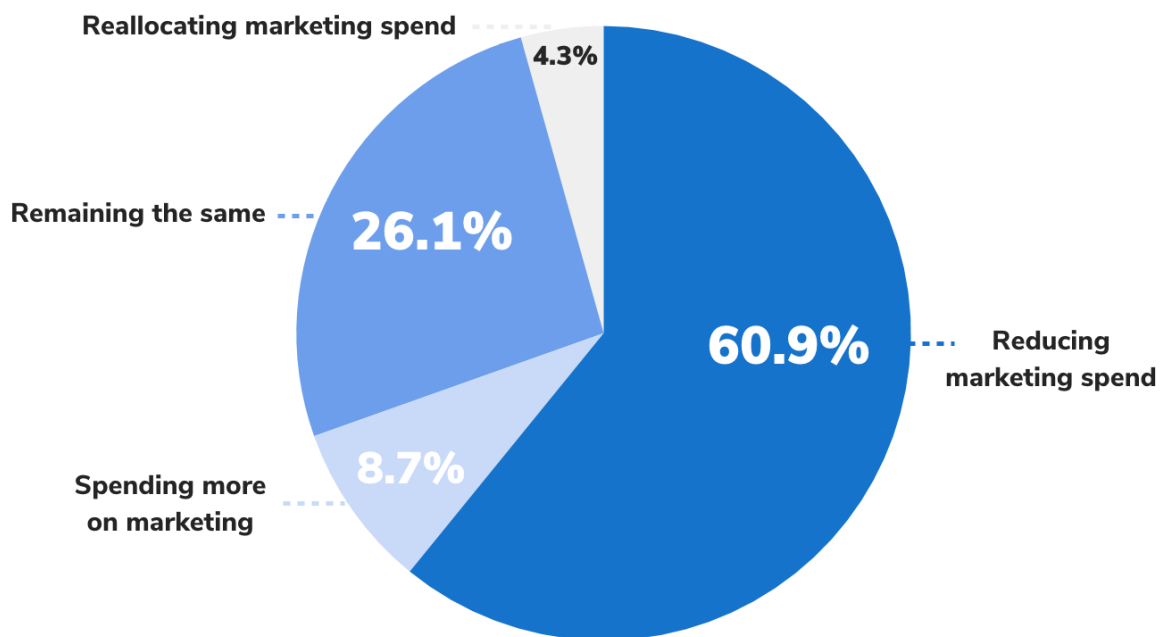
KEY TAKEAWAY

Many ecommerce businesses expect to reduce marketing spend in the event of an economic downturn.

It's no secret that marketing is often the first target when it comes to reducing operating costs. Of respondents in the survey, 60.9% predicted that they would likely reduce marketing spending if economic conditions continue to worsen.

What's surprising is that only 4.3% of respondents said they would focus on reallocating their marketing budget to spend less in some areas, and more in others.

I predict my brand will respond to these health and economic concerns by:



There's one important thing to note here: Cutting marketing spend can often lead to a downward spiral. Spending less on customer acquisition will equate to fewer customers coming in the door, contributing to a drop in sales that's then worsened by a recession.

Meanwhile, businesses that increase marketing spend during times of economic struggle often see improvements in their market share and profitability.

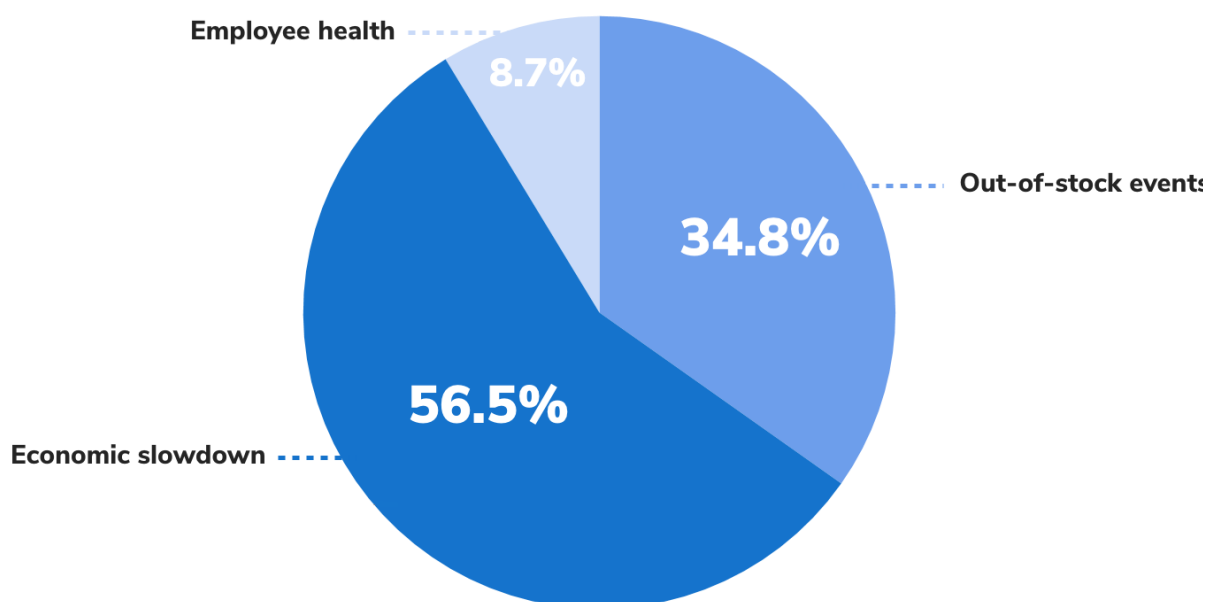
Providing visitors with an optimal user experience is more important now than ever, so instead of just cutting marketing spend, businesses should focus on how they can better convert the traffic they're already receiving.

KEY TAKEAWAY

Supply chain constraints are top-of-mind for ecommerce managers.

Of respondents, 34.8% report that out-of-stock events were a top concern right now. Supply chain constraints have triggered a variety of problems for ecommerce businesses, the largest of these being delayed shipping times and a lack of inventory/materials.

Given COVID-19 and related events, what is your brand's top concern?



We're predicting that the impact of COVID-19 on global supply chains is still yet to come, and it'll force thousands of online retailers to temporarily halt assembly and manufacturing plants in the U.S. and Europe.

The Need To Be Lean

So how do you get a business to thrive in an economic downturn? The answer is clear: You have to go lean and mean.

Specifically, you need to be able to get maximum ROI from your marketing spending by increasing your return on ad spend (ROAS). When you maximize ROAS, your traffic generation efforts are much more effective and your customer acquisition cost (CAC) significantly falls.

Here's what you need to understand:

High-performing brands are able to increase their ROAS and decrease their CAC by diversifying their marketing efforts to unpaid and lower-CAC channels. Instead of simply putting up with increasing PPC costs and lower margins, the most effective brands get creative with their marketing efforts. They find the marketing channels and techniques with the highest ROI and then double down on them.

These companies understand that they don't have to keep doing things the way they've always done them. Rather, through strategic optimization, they can significantly improve their marketing results.

If you can optimize your business and website for your best clients, your CAC will significantly fall. Instead of having to shell out large amounts of cash to keep acquiring new customers, you can rely on your best customers to buy from you again and again.

As a bonus, you'll probably acquire some new clients along the way.

Put simply, to thrive during any sort of downturn, you need to be able to:

- Reduce costs
- Increase profits
- Reduce waste

But how exactly do you achieve these things? How do you become a high-performance brand that gets a high ROAS, high average order value (AOV), high conversion rates, and low cart abandonment? How do you become an ecommerce business that thrives under pressure?

It's all about value focus:

- Focus on your highest value customers
- Focus on your highest value products with the best margins
- Focus on your highest value channels
- Focus on creating the highest customer value

When you optimize your ecommerce website for each of these items, it enables you to thrive when others are struggling. To surge forward while others are falling behind. To stay profitable when others fall into the red.

Let's take a look at each of these individually.

— **Focusing on your highest value customers**

When the market takes a downturn, it's tempting to focus on trying to win over customers through excessive discounts. After all, you reason, when things get tough, people look for discounts.

The problem with this line of thinking is that it's a race to the bottom. You're only targeting those consumers who are loyal to you based on price. These are the customers who will jump ship as soon as they see a better deal, and in an economic downturn, they're going to be seeing a lot of good deals.

A much better choice is to focus on delivering a seamless shopping experience to your best customers. This is the segment of your audience with the highest customer lifetime value (LTV)—the ones who buy from you again and again.

Using conversion research, you first identify this segment of your audience and then optimize your website to ensure that these customers have the best shopping experience possible. When you deliver a superior experience to customers who are more inclined to become loyal customers, you keep them coming back again and again.

The simple truth is that if you can give your best customers a superior experience, they'll reward you with repeat business. A survey by [New Voice Media](#) found that:

"If provided with good service, 55% of respondents indicated they would be more loyal, 47% would recommend the company to others, 26% would use the company more frequently if they could, and 26% would spend more money."

The result is that your overall revenue levels remain steady (thanks to repeat buyers) and your CAC falls because you don't need to be constantly spending to bring in new customers.

Focusing on your highest value products

Your highest value products are not just the ones with the biggest margins. If you simply feature your highest-margin products and leave it at that, you may see minor success, but not as much as you could.

A better solution is to identify which products your customers find the most value in. These are the products that your highest value customers are purchasing on a regular basis. Once you've determined what these products are, you can then sort them by the highest margin and focus on optimizing your site experience around those products.

Using data-driven optimization, you can ensure that these high-margin product pages have the highest conversion rate. This, in turn, will result in more profits and a much stronger bottom line.

Focusing on your highest value acquisition channels

Not all marketing channels are equal. Depending on your business, traffic coming from organic searches may have a higher conversion rate than Google pay-per-click ads. Or it's possible that email marketing may generate more sales than Instagram campaigns.

Simply put, some marketing channels have a higher ROI than others, and during tight times you want to put more focus on those high-value channels.

First, determine which channels have the highest ROI and then work to improve the overall conversion rate on the traffic coming from those channels. You can also shift your marketing spending so that it's focused primarily on the highest value channels.

How to create the highest customer lifetime value (LTV)

Is your marketing strategy optimized to bring back customers again and again, or are you focused primarily on the first conversion?

When you optimize your website to create the ideal shopping experience, it has a profound effect on your customers. They want to come back again and again, which results in a much higher customer lifetime value (LTV).

Think about all that Amazon has done to create the optimal shopping experience. From 1-Click ordering to Dash Buttons to two-day shipping, they want to make the shopping experience as painless as possible. The result is an incredible conversion and loyalty rate.

As Pamela Danziger writes in [Forbes](#):

An astounding 85% of Prime shoppers visit Amazon at least once a week, while 56% of non-Prime shoppers report the same... One-third of Amazon users come to the site ready to buy... Compared with Walmart, eBay, Alibaba and Jet, Amazon leaves these competitors in the dust in terms of browsing products, deals, comparing prices, and checking availability and delivery speed.

By focusing on delivering a supreme shopping experience, Amazon brings back customers again and again. You can do the same by using conversion-focused research to optimize your website's shopping experience.

Don't just focus on the first conversion; optimize for repeat conversions.

— **Where data-driven optimization comes into play**

Your focus right now should be on identifying your highest-value customers and tailoring your user experience to meet their needs.

Data-driven optimization can help you study the behavioral data (qualitative and quantitative) of your customers and website visitors, then prove out your hypotheses, and take action based on that proof. As you study this data, you'll unearth which segments of your customers are returning, which are spending the most, which are returning products the least, and other key insights.

Additionally, data-driven optimization can help you identify which marketing channels are generating the highest ROI. From there, you can optimize your marketing budget so that you're spending more on the highest performing channels and cutting spending on channels with a low ROI.

Finally, using data-driven decision making, such as conversion rate optimization, will help ensure that your website isn't just optimized for the first conversion, but for repeat purchases. Retention should be the primary focus for every ecommerce business during a recession.

— **The power of efficiency**

It's very likely that the economic shock spurred by the coronavirus outbreak will have a significant impact on the global economy in the coming months. When market conditions change or take a turn for the worse, it's absolutely critical that you turn your business into a highly efficient machine. Your spending should be laser-focused on the areas that have the highest return.

Data-driven optimization is designed to help your ecommerce business run at maximum efficiency, even in times of economic decline. When you find your budget, resources, and team limited, it's important to focus your efforts on areas that will carry the highest impact on your bottom line.

— **How The Good can help**

Are you concerned about your business' ability to maintain through an economic downturn? The Good is here to help you. [Let us know](#) whatever conversion or ecommerce challenge you're experiencing, and we'll do our best to provide you with the most helpful related resource in our back catalog of content.