

TAGG Logistics Amazon Article

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[H1] A SELLER'S GUIDE TO AMAZON

Navigating the many ways to sell on one of the world's largest digital marketplaces

Everyone wants to sell on Amazon—and for good reason. As of 2017, the online juggernaut had an estimated 65 million Prime members, who each spend an average of \$2,486 per year.¹ Is it any wonder that at least 21 public companies have generated a minimum of 10% or more of revenue from Amazon in their most recent fiscal year.

That includes such household names as GoPro, Roku and FitBit—as well as a major supplier of Whole Foods, United Natural Foods. In contrast, many of Amazon's top competitors don't have nearly as extensive a list of customers who surpass the 10% revenue benchmark. Microsoft has only seven customers that do and Ebay, just two.²

Clearly, Amazon is the place to be for buyers and sellers alike—making it the world's third largest online marketplace as of 2017.³ And thanks to the birth of Amazon Business, more and more companies have been hopping aboard the Amazon train.⁴

So the question is: what's the best way for you to sell on Amazon? Let's take a closer look at your options.

[SH1] TWO MAJOR WAYS TO SELL

The first way is "Vendor Central" or 1st Party selling (1P),⁵ in which Amazon buys and takes title of your products. You ship them to Amazon's warehouses—and then Amazon prices and lists them as "ships from and sold by Amazon.com." Amazon fulfills orders from its own warehouses and ships the products to your customers.

The second way is "Seller Central" or 3rd Party selling (3P).⁵ You sell products on Amazon's marketplace, but you retain ownership of them until sold. In this way, 3P is like "consignment inventory." Once sold, Amazon buys the product from you and ships it to the customer.

The 3P approach has a few subcategories, based on who fulfills the order. The two major ones are FBA and FBM (also called non-FBA).

- **FBA stands for "Fulfillment by Amazon"** and refers to 3P sales in which Amazon fulfills the customer's order by shipping the product from its own shelves.⁵ With this approach, the manufacturer or supplier ships products to Amazon in bulk—which then picks, packs and ships products as customers place orders.
- **FBM is "Fulfillment by Merchant,"** meaning 3P sales in which the manufacturer or supplier lists the product on Amazon's marketplace but handles both storage and fulfillment itself.⁵ Sometimes, the seller will use a third-party fulfillment center for managing, fulfilling and shipping orders.

A variation of FBM is “Seller-Fulfilled Prime” or SFP.⁵ It’s also called “3P with a badge.” With this option, the manufacturer or supplier wants to both sell on Amazon and fulfill from its own shelves, while also preserving Amazon Prime’s delivery service—complete with the reliability and customer satisfaction the Prime brand guarantees.

Participating in SFP comes with a handful of benefits, but it’s challenging to qualify for. To become an SFP seller, you must offer free two-day shipping to the lower 48 states for Prime members, free standard shipping for other customers and free return shipping. You must also maintain an on-time shipping rate of 99% and a seller cancellation rate of less than 1%.¹ All orders received before 2PM EST must also be shipped by midnight EST that same day.¹

[SH2] WHICH SELLING OPTION IS RIGHT FOR YOU?

That depends on the level of control you want over three key points:

1. **The customer’s brand experience:** If maintaining complete control over brand perception is a priority—from order to fulfillment to delivery—you may decide to fulfill orders yourself, vs. using Amazon. Instead of Amazon being the primary brand your customer sees when the package arrives, it would be yours. You could start with branded custom packaging—then include package inserts, add a special message to the packing list and so on. By fulfilling orders yourself or working with a third-party fulfillment center, you would have more options to directly connect with customers than you would typically have with Amazon fulfillment.
2. **Available inventory:** If Amazon fulfills your orders, you may not have the level of visibility or control over inventory management that you want. While that would free you to focus more on product quality, it could also create new challenges. For example, should Amazon run out of stock, you wouldn’t have product coverage. Also, if Amazon decided to no longer carry one or more of your products, you may not be informed.⁶ Then there’s the challenge of managing your product pipeline. When Amazon manages your inventory, you ship products to its warehouses in bulk—where they remain until sold (regardless of how quickly that is). By managing fulfillment yourself or through a third party, you would free inventory to be allocated more efficiently and open up multiple sales opportunities. That would include having complete control over which products you make available on Amazon—and when.⁶
3. **Special Fulfillment Needs:** Are your products heavy, oversized or fragile? Do they require special handling to ensure prompt and safe delivery to your customer’s front door? If you’re using Amazon for fulfillment, these special needs could significantly impact your cost. On the other hand, third-party fulfillment centers may be nimbler at customizing services and have greater flexibility to help you manage cost.

Regardless of how you choose to sell your products on Amazon, **TAGG** can support you. To learn more, please call 866-991-8244 or [visit us online](#) and one of our principals will work directly with you. So together, we can deliver *Your Business Everywhere™*.

¹<https://www.channeladvisor.com/blog/marketplaces/maximizing-your-amazon-sales-seller-fulfilled-prime/>

²<https://www.cnbc.com/2017/12/21/as-amazons-dominance-grows-suppliers-are-forced-to-play-by-its-rules.html>

³<https://www.digitalcommerce360.com/2018/01/11/infographic-largest-online-marketplaces-world/>

⁴<https://www.digitalcommerce360.com/2017/07/24/amazon-business-brutal-reality-manufacturers-distributors/>

⁵<http://insider.zentail.com/the-hybrid-approach-to-amazon-selling-1p-vs-3p/>

⁶<https://www.webretailer.com/lean-commerce/vendor-central-or-seller-central/#/>