


ARCHERPOINT

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Selling on Amazon

Why Manufacturers and Distributors
Should Be Selling Online

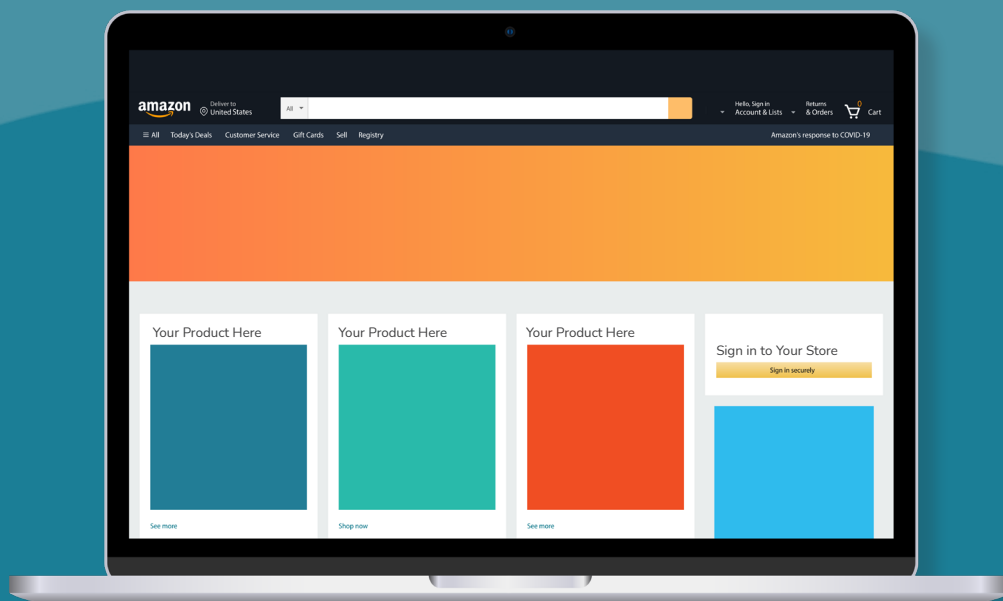


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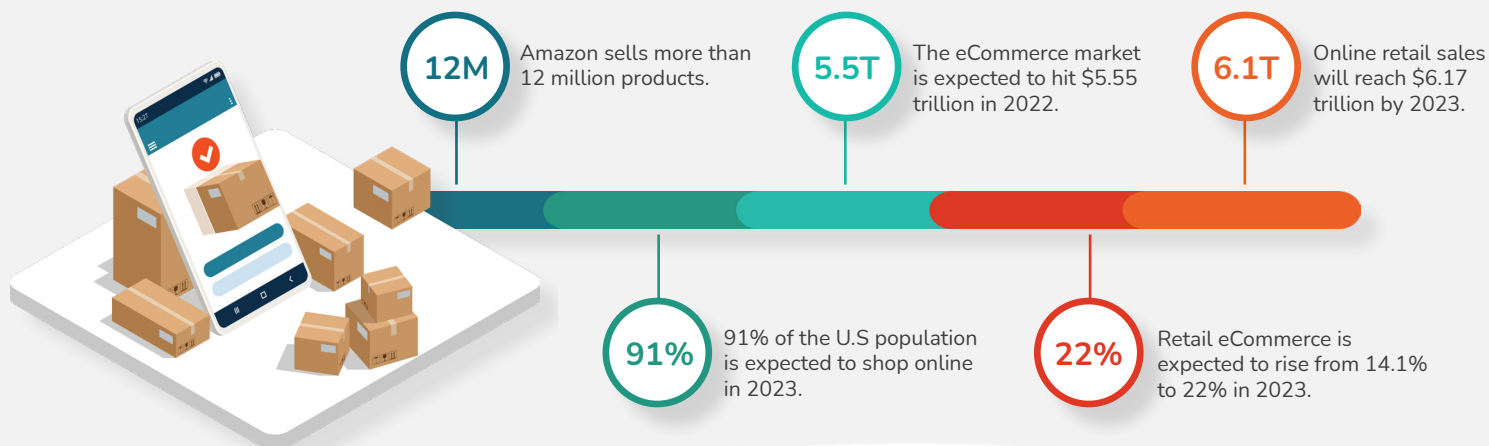
Why Branch Into eCommerce?

The online shopping/purchasing landscape has changed dramatically, and it's continuing to do so, every day. In addition to the general trend of moving to online shopping, the COVID-19 pandemic accelerated that trend exponentially. In short, eCommerce is rapidly overtaking brick-and-mortar—and not just in retail.

More and more businesses are moving to online sales to increase their revenue (out of necessity due to the pandemic), and Amazon.com has, without a doubt, led the way.

Amazon has made eCommerce a commonplace event by making online purchases and returns inexpensive and easy. And with Amazon Prime, customers can avoid shipping costs on most items, so it has become the de facto source for online shopping. While other online retailers and marketplaces have grown in size and capabilities, Amazon.com remains the clear leader.

Consider the facts...



That's all well and good for retailers, but if you're a manufacturer or a distributor, you might be wondering how this applies to you. It applies because your competitors are also jumping on the eCommerce bandwagon. With the statistics and trends, any business capable of shipping their goods should be selling online.

So, why are some companies—retailers, manufacturers, and distributors alike—holding out? If the issue is logistics or making the transition, that has all changed with Amazon. They apply much effort and ingenuity to making it easy to sell your products online, improving the customer experience, removing obstacles to selling, and more. Why? Because—believe it or not—they want and need you.

In this eBook, we will cover why you should start selling your products online and why you should do it through Amazon—regardless of what you're selling. We'll cover how selling on Amazon works, what you need to do as a seller, and how ArcherPoint can help.

Amazon: The eCommerce Partner of Choice

Reason 1 They're the 800-pound gorilla

Amazon has the volume of customers no other source can come close to—and not just B2C. Amazon saw a 37.6% increase in revenue in 2020, and was responsible for \$386 billion in online sales that year alone. Amazon's B2B arm is its fastest growing unit that isn't slowing down.



Amazon's global selling partners have sold 7,400 products per minute.

Reason 2 They're good at what they do

Amazon is just so good at eCommerce. On the customer side, they continually review their processes and relationships to find ways to make it easier to shop; on the seller side, they use knowledge, creativity, and technology to bring ideas to life, including multiple ways to sell through them.

Reason 3 You are *not* in eCommerce

If you're a manufacturer or distributor (or even a retailer), you probably don't have expertise in eCommerce or related logistics and technology. It's doubtful you have the bandwidth to set it up and manage it, and it's nearly a certainty you don't have the infrastructure or reach Amazon can provide. This is very definitely one of those situations where outsourcing to the experts just makes sense.

Reason 4 They want you, and need you

Amazon didn't get where they are without volume and the ability to offer a wide variety of goods. They have realized over the years that their true talent is in logistics. They don't want to produce, stock, sell, or deliver their own products; they want to manage yours and collect a fee from you for doing so. It's a win-win-win arrangement for Amazon, the customer, and you.

Amazon has 1.9 million small & medium-sized businesses to order products from.



How to Sell on Amazon

Assuming you're now convinced that you should be selling online through Amazon, the next question is: *How?*

With their size, resources, and capabilities, Amazon has the right technology in place on the back end as well as the front end.

They can take on any or all of a company's distribution, warehousing, and fulfillment, providing a low-cost, low-hassle avenue for any company of any size selling nearly anything to do it through them—and be as hands-on or hands-off as they want to be.



With the direct model—which originally was the only way Amazon sold—Amazon acts as a traditional storefront for the seller's product, buying the seller's products from the seller and then selling them to Amazon customers, with fulfillment handled by Amazon.

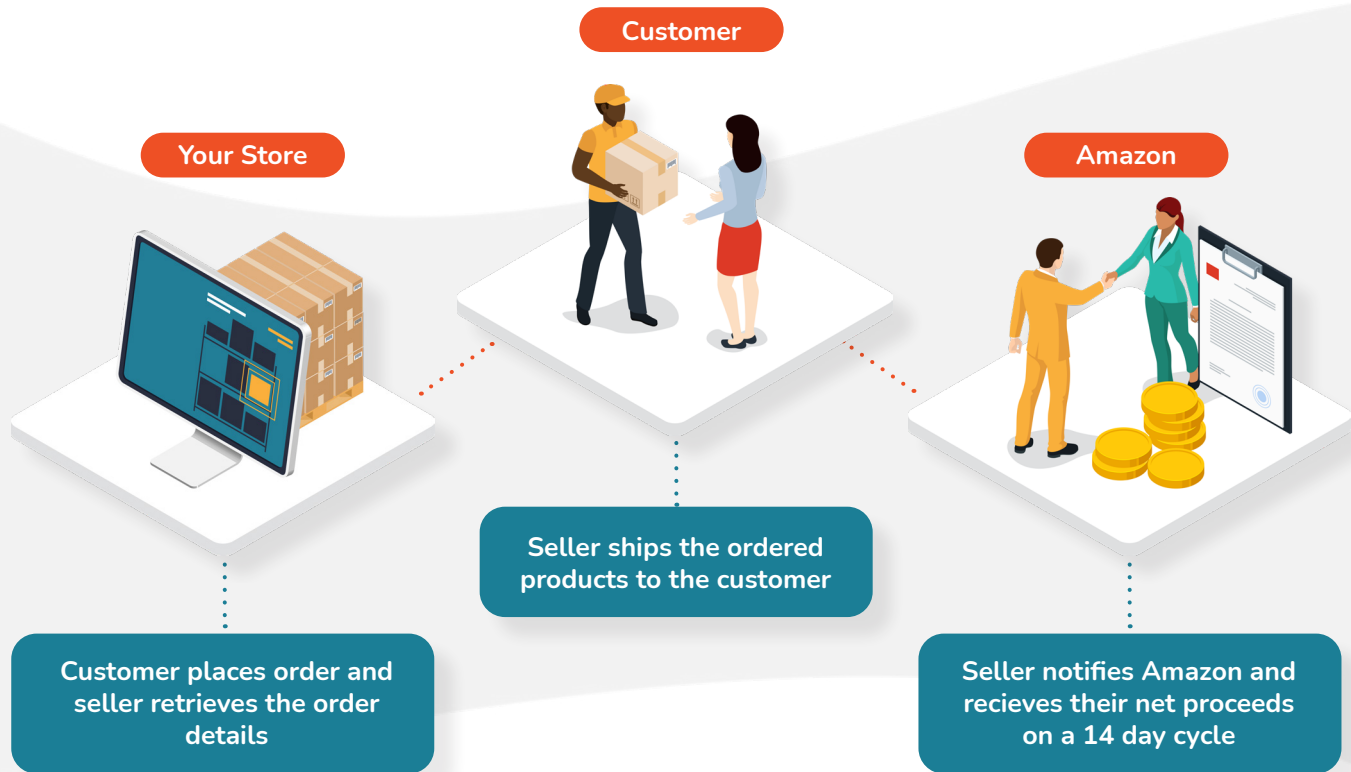
When the seller registers as a vendor, Amazon becomes a full-time distributor, handling inventory, shipping, pricing, customer service issues, and returns/exchanges.

While Amazon still does this with some products, it is typically used only with high volume commodity items. When Amazon began evolving into more of a logistics company, they introduced two new options to sellers.

The Amazon Marketplace: Seller Central

Amazon provides the Amazon Marketplace, an eCommerce marketplace where products are provided by multiple third parties, but the actual transactions are processed by Amazon, which acts as the marketplace operator. The two options to sellers are FBM and FBA.





FBM: Fulfillment by Merchant

With FBM, the seller warehouses their own products, and their products are listed on Amazon's marketplace (Amazon.com).

When sales are made, the seller is responsible for fulfilling the order and providing the tracking information to Amazon. Amazon charges a fee, which covers them handling listings, advertising, and promotion. However, there are some potential cons to consider...

1. You Need to Setup Shop

You need to be prepared to tool your facility for the type of fulfillment required—namely, shipping small (or even single) quantities AND doing it quickly. This takes time and money, as well as expertise. If you don't set this operation up properly, you risk opening your business to customer service and satisfaction issues.

2. Think of Your Warehouse Costs

Think of how fulfillment by you will affect your cost of goods sold (COGS). There is a cost to setting up and maintaining your own warehouse—hiring people for order processing, picking, and shipping, and so forth. That impacts your COGS.

3. You Need to Get Up to Speed

Amazon has specific requirements, including faster shipping speed, a lower number of customer service issues, and your agreement not to "market" to a customer who places an order with you (correspondence is restricted to only the order that was placed).

Note that all these factors impact your Seller Rating, so compliance benefits both you and Amazon. The seller's Amazon rating is heavily impacted by timeliness.



FBA: Fulfillment by Amazon

With FBA, your products are listed on Amazon's marketplace (Amazon.com). Amazon holds your inventory for you and fulfills orders when they occur. This is a popular option because FBA products are Prime eligible, giving FBA sellers an advantage.

The biggest reason is simply that this is what Amazon does so well. They own more than 77 million square feet of warehouse space, use more than 45,000 robots in their warehouses, and ship more than one million items a day during the peak season. And they need only one minute of human labor to ship a package. You, on the other hand, are not in the logistics business—nor should you be.

In this relationship, you're doing what you're tooled to do, and Amazon is doing what they're tooled to do. Amazon has made it simple for you to get started.

You set up your storefront, providing pictures, descriptions, and prices, and Amazon does the rest. There is a downside, but you might agree that it's not much of one. Amazon charges a fee (primarily based on size and weight of product), but if you compare the cost of handling everything yourself, it's very likely that the fee is still the best deal.

What's the bottom line? Amazon can do it better than you can. All you have to do is ship your product in bulk to Amazon and make sure you keep them supplied. Just remember to include it when



Amazon only requires one minute of human labour to ship a single package.

Comparing FBM and FBA: The Pros and Cons

Both FBM and FBA are viable, responsible options; otherwise, Amazon would not offer them. Each have their advantages and disadvantages and are more appropriate depending on your business and products. You also have the option of using both. You might want to handle fulfillment of some products, but others fulfilled by Amazon so they are Prime Eligible. You have the option of using both. See below the pros and cons of FBM and FBA.

| | FBM | FBA |
|-----------------------------|--|---|
| Best for | This option is typically better for very heavy, bulky, or large items. | This option is great for products that are standard sizes and easy to ship. |
| Fees | Fee covers Amazon handling product listings, pricing and promotions, advertising, and reporting. | Fee covers everything covered by FBM—plus warehousing, packaging, barcoding, sales tax remittance, and shipping (including replacements or reimbursements). |
| Tooling | You invest in setting up eCommerce operations. | Amazon handles all operations related to the eCommerce component of your business. |
| Customer Payments | Amazon pays you your net proceeds on a 14-day cycle—called a “Financial Event Group”—including all proceeds from your sales, minus taxes and fees. | |
| Customer Service | You are responsible for timely shipping, lost or damaged shipments, returns, refunds, exchanges, and customer satisfaction. | Amazon is responsible for everything except for the quality of your products. |
| Inventory Control | You have more control; you know exactly what you have at all times. | Since Amazon has your inventory, you risk losing the ability to sell directly (brick-and-mortar, your website). |
| Sales Tax | Both options allow Amazon to act as facilitator for calculating, collecting, and paying sales tax. Speak to your accountant before setting up! | |
| Most Favoured Status | There is no special treatment when it comes to promoting you over another seller that sells the exact same product as you. | Favorable treatment when multiple sellers are selling the exact same item. An algorithm chooses which seller is in the “Buy It Now” box; otherwise listed in “other ways to buy”. |

IMPORTANT: You can start off using FBM and change later to FBA without penalty.

Getting Started as a Amazon Seller

Once you've decided that you want to sell on Amazon and whether you want to use FBM, FBA, or a combination, the next step is to get set up.

The Amazon Marketplace Web Service (MWS) walks you through the process. This part can be confusing. If you want to integrate with your back office, APIs are the way to go...but you don't want to stop there.

Ideally, you will want to integrate your accounting, inventory, and operations applications so you can manage your eCommerce line of business as seamlessly as possible.

A much less confusing option IF you do not absolutely need back-office integration, is the Seller Central Portal, which is simple to use and understand.

Amazon has done a great job making the process of setting up an online storefront as painless as possible. But, as discussed above, it is far from simple.

There is the issue of integrating with your back office, but you also need to contend with getting your company's product information, pricing, available inventory, order processing, and more to flow seamlessly between your ERP and Amazon's Marketplace.



ArcherPoint Can Help

This is where a knowledgeable partner comes in handy. ArcherPoint understands how to work with Amazon's APIs and has already written apps that integrate Amazon MWS with Microsoft Dynamics NAV and Dynamics 365 Business Central.

With Channel Sales Manager (CSM), you no longer manually enter or import spreadsheets between the two systems or write and maintain the applications that allow your selected ERP users to manage Amazon sales. We take care of all the details so you can focus on taking advantage of a new sales channel. By seamlessly integrating your eCommerce platform, including Amazon, with Microsoft's Dynamics 365 Business Central (ERP), CSM gives you insights into your online business—all in one dashboard—giving you a complete view of your eCommerce orders, listings, inventory, and payments in one place. It also provides Amazon with insight into inventory and allows you to manage Amazon sales from within your ERP.

[Contact us to learn more](#) about how ArcherPoint can help you get started.