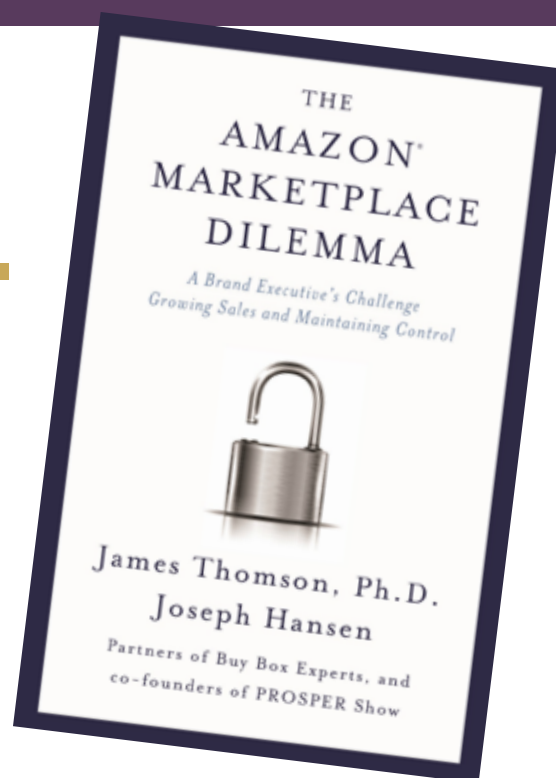


Sell TO Amazon vs. Sell ON Amazon

Brand executives face two key questions in addressing the Amazon marketplace:

- 1. Will the brand be sold on the Amazon Marketplace?*
- 2. If yes, then what distribution approach makes the most sense for the brand?*



Joseph Hansen and I wrote “The Amazon Marketplace Dilemma” to help brand executives make sense of the challenges, options and tradeoffs of various distribution models successfully used by brands selling on the Amazon marketplace channel. We provide executives with a clear path to addressing concerns on how to grow profitably on Amazon while maintaining control of brand content, pricing and distribution.

“Unlike traditional sales channels, Amazon is an open marketplace where multiple resellers compete for the same customer sale, resulting in aggressive price cutting aimed at winning the sale over all other resellers.”

Unlike traditional sales channels, Amazon is an open marketplace where multiple resellers compete for the same customer sale, resulting in aggressive price cutting aimed at winning the sale over all other resellers. Unless the brand is proactively managing what is happening to its product listings, literally any seller can create product listing content that will be used to represent the brand on Amazon – content that may get indexed higher on Google than the brand’s own website content. To address the ugly challenges of unwanted retail price reduc-

tions, sloppy representation of the brand, and the ease with which unknown/unauthorized/undesired sellers are able to sell the brand’s product, it is critical for every brand executive to develop and manage actively an Amazon channel strategy.

For far too many brands, the brand executive team uncovers a cacophony of unknown resellers offering the brand’s products through sub-optimal product listings at prices usually much cheaper than any other sales channel in which the brand so carefully manages its pricing and branding. Yet with proper attention and resources, this channel can be controlled effectively by the brand team to ensure proper branding, consistent pricing, clear identity of distributors/resellers, appropriate catalog selection and inventory levels, as well as advertising driving high-converting product listings.

Solving the “Amazon channel problem” starts with three important activities. First, the brand leadership team controls distribution not only for Amazon but throughout all channels, usually in conjunction with a properly developed online reseller policy that incorporates anti-diversion restrictions [Remember – the “Amazon channel problem” is usually a consequence of an inadequately managed / incented sales and distribution effort]. Controlling distribution often means making the



choice between selling wholesale to Amazon (first-party) or becoming the seller of record (third-party). While first-party sales may be a more familiar B2B experience for brands, the third-party sales opportunity typically gives the brand more opportunity to control pricing, inventory levels, and catalog selection. Second, the brand leadership team ensures high-quality, accurate product listings are in place to ensure limited customer confusion and superior customer conversion. Even if the brand is not in favor of its product being on the Amazon channel, the open marketplace almost certainly ensures someone will have inventory of the brand available to sell at some point on Amazon. Finally, the brand leadership team rolls out an advertising strategy aimed at both top-funnel and bottom-funnel efforts to drive higher than fair share traffic to the brand's product listings, while generating superior customer conversion on the now-optimized product listings.

The first step that we recommend a brand's CEO take to developing a profitable and controlled Amazon channel is to bring together leaders from sales, marketing, distribution, finance, operations and legal – teams that may need reinforcement from the CEO to appreciate that the Amazon channel is not just another sales channel, but one that can highlight the brand company's own shortcomings. If properly managed in conjunction with other sales chan-

nels, the Amazon channel offers the CEO a significant sales channel (one usually growing faster than most any other channel), a channel that can be very effectively used to experiment and collect consumer data, while offering the brand the opportunity to make retail margins.



James Thomson is Partner with Buy Box Experts, an agency supporting online brands. He co-founded PROSPER Show, an educational conference for Amazon sellers. James co-authored "Amazon Marketplace Dilemma," a book for executives seeking brand control on Amazon. James is formerly head of Amazon Services, recruiting 99% of all sellers to Amazon.