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Conquering the Amazon Marketplace: What Brands Need to Know

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Introduction

Selling on Amazon is no longer optional. With a wide customer base, Amazon owns **6 percent** of the US retail market. That may seem like a small slice of the retail pie, but when you consider that eCommerce only makes up 12-13 percent of overall US retail sales, its sheer power becomes clear.

This behemoth won **44 percent** of total eCommerce sales in 2017 and there's nothing holding Amazon back from topping this number in the future. Also, in 2017 news broke that Nike would start selling directly on Amazon, gaining access to their massive following and more control over their product pricing on the channel (although the outcome seems to be less rosy than they made it out to be). This took the industry by storm, but also demonstrated the marketplace's power and influence over even the most established and revered brands.

For all brands looking to improve their performance and those considering opening up shop on the marketplace, this guide is full of tips to help you decide whether it is right for your business and how to optimize your offerings.



Is Selling on Amazon Right for You?

Literally millions of firms and individuals try selling on Amazon, and not all will succeed. The attraction of more than 200 million customers is a strong draw, as is the ability of anyone with practically any product to get up and running as an Amazon seller in under an hour. But is this marketplace really the right platform for you?

To answer that question, let us first understand the key types of business models that sellers use on Amazon. Once you understand the key tradeoffs of these business models, it is easier to figure out which – if any – make sense for you as an Amazon marketplace seller:



a. General Merchandise Reseller: the seller sources products from a range of distributors and brands, while aiming to make a profit by selling a wide range of products. While this model offers significant flexibility in sourcing whatever products you can get your hands on, there are almost no barriers to entry, meaning practically anyone can copy you and try to source the same products to sell on Amazon. If you can get the same products as dozens (or hundreds) of other resellers, expect to face a lot of competition on the individual SKUs you are trying to sell.

Pressure is high to undercut other sellers

on price, as Amazon groups together all competitors selling the same SKU. Yet, only one seller at a time can be selected to have its product added to the customer's shopping cart (when the customer clicks on the "Add to Cart" button). Low price is a significant driver of becoming that "Buy Box-winning" seller (more on the Buy Box a little later in this eBook). If competitors are all undercutting one another's prices, eventually meaningful margin opportunities dry up for all.

With such limited barriers to entry on the products offered by any one seller, it is critical to have access to huge catalogs of product to source for your Amazon listings. Likewise, given the ability of the competitive landscape to change quickly as sellers come and go for specific listings, it is critical for the General Merchandise Seller to be willing and able to be flexible on its inventory position on individual SKUs.

We have seen far too many such sellers get emotionally attached to certain products or brands, only to be frustrated by the increased competition that can occur. Furthermore, because not all sellers have a strong understanding of their unit economics (i.e., fully allocated costs by SKU), you can face scenarios where you are competing with other resellers who unknowingly are selling at a loss, making it tough to match their prices while maintaining your own positive margin.

Is Selling on Amazon Right for You? Part 2



b. Retail Arbitrage Seller: rather than source product from a distributor or directly from the brand manufacturer, Retail Arbitrage sellers buy products at retail prices in one channel, and resell these items in another channel, hopefully at an inflated enough price to make margin. For products that often have “high-low” retail pricing (lots of 50percent off, or 2-for-1 specials), such items can be appealing under this business model.

This business model also has few barriers to entry, as anyone could go into a Walmart, Target or dollar store to buy an item, only to try to flip it onto Amazon for a higher price. In our experience, we have seen few succeed at scaling this business to large dollar levels, as it can be very labor intensive to source products from stores. For those that do succeed, sophisticated software and speed to acquire products are critical. In addition, because the seller is initially buying products at retail prices, financing inventory costs often requires extensive lines of credit – a model that leaves very little room for miscalculations of costs.



c. Exclusive Reseller: if a reseller can convince a brand to give it the exclusive opportunity to sell the brand on the Amazon marketplace, there is increased opportunity for the reseller to sell more volume and develop a strong relationship with the brand. In theory, there should be no competition, allowing the reseller to garner higher margins. Unfortunately, all too often this model falls apart because the brand doesn’t have full control of its distribution, resulting in unauthorized resellers entering the Amazon marketplace with the brand’s inventory to sell. The resulting price competition can leave the exclusive reseller in the perilous position of having to break a pricing agreement with the brand in order to gain any share of sales.

The other big risk here is that it is becoming easier and easier for brands to become the reseller of their own brands on Amazon, so why should they work through an exclusive reseller to achieve the same outcome? For brands that figure out how to do B2C sales on Amazon (including how to optimize product listings, inventory management/ forecasting, and advertising), going direct provides the opportunity to make retail margins itself, rather than only wholesale margins selling its products through an exclusive reseller. So, a successful exclusive reseller typically seeks to demonstrate its “Amazon expertise” to prospective brands as it sources new selection for its exclusive reseller model.

Is Selling on Amazon Right for You? Part 3



d. Private Label Seller: quickly becoming the preferred model of many sellers, this model involves the seller setting up its own brand (preferably with a proper US registered trademark and brand name with dedicated UPC codes) by finding a manufacturer that will make items for them. The seller needs to develop expertise on how to optimize its new product listings on Amazon, and how to drive traffic to its new listings (such as Amazon advertising, email marketing or off-Amazon advertising from social media sites). With over 400 million products in the Amazon catalog, the “build it and they will come” model does not work – you need to get customers to pay attention to your products ahead of all of the other items in the catalog. If the private label seller can launch its products quickly to drive significant traffic, the business model offers the seller the potential for little to no competition on the individual product listings. However, tens of thousands of sellers are pursuing this approach, resulting in plenty of comparable private label products (with slightly different brand names, features, and price points) competing against one another on Amazon.

Unless the private label product features a design patent or some sort of hard-to-copy feature, it is not likely that such a product will remain free of substitute product competition on Amazon. That is because it is very easy for anyone else to see what

products are selling well on Amazon, then go seek a manufacturer that can make a similar enough product to aim to grab market share from the original private label seller.

A successful private label seller will face constant headaches from sellers offering counterfeit products on the same listings (Amazon will enforce against counterfeit products, but the onus is on the private label seller to complain on each perceived infringement). Given the usual ease of others copying the successful private label product with other versions, the private label seller needs to be constantly evolving and reinventing its catalog to stay ahead of competitors.



Optimizing Your Product Pages

Getting a sale on Amazon requires you to get customers to land on your product pages, then you must entice them enough to add the item to their cart and follow through on buying your product. The experience they have on your product page – learning about your product and figuring out the answers to their questions about it – will be defined by how well you have optimized your product pages. Key to this experience are the product images, the product title, the bullet points, and the product description.

Your Product Title: put simply, you need to be able to describe your product concisely, so customers know what you are offering, including useful information like size, quantity, or color of the item. Amazon has changed the maximum number of characters you can use to describe your product in the product title. We encourage you to not be too concise in your title if describing a couple common uses in the title will again clarify the key uses for your product. All such information should help define and differentiate your product for shoppers on your product listing.

Product Images: If an image is worth a thousand words, then...

- Do you have product images that show the product in use, giving the customer a reasonable chance of visually appreciating what they will get when they buy your product?

- Do you have any images that show the intended users enjoying or using the product?
- Is there an effort to create an emotional connection to the product?
- Do your product images clearly answer any questions about how big the item is in relation to suitable benchmarks (such as in the hand of an adult, or on the kitchen counter in someone's home)?
- As mobile shopping becomes more pervasive, including text on images will become an essential way to educate mobile shoppers on key features and benefits of your products – content that they might normally learn through bullet points and product descriptions that are much harder to read when shopping on mobile.



Optimizing Your Product Pages Part 2

Bullet points and the product description:

these are both important for answering key questions a customer might have as they shop. The bullet points are specific, bite-size pieces of information for clarifying and informing, while the product description tends to be lengthier and potentially more technical. Both types of content need to contain critical information for customer education, while at the same time, they also need to include key phrases and terms that are considered search engine optimization (SEO) content that the Amazon search algorithm uses to index each item. This makes it easier for Amazon to know when to match your product with specific search phrases that customers use to find desired products.

There is an ever-evolving science to how best to optimize content for both the customer experience and the Amazon search algorithm. Without going into too much detail, we encourage you to refresh and upgrade your content at least every six months, ensuring you incorporate customer questions you have recently had to answer.



Pricing Control

With countless competitors ready to undercut you, the price you start with and how you maintain that price over time is crucial.

Choosing the Right Price

You'll want to choose the right initial price in order to spark demand for your product. In order to accomplish this, you'll need to ask yourself a few questions:

- What are competitors selling this or a similar item for?
- What is your price perception, compared to competitors'?
- Are you the only seller in the market for that particular product?
- What profit and revenue goals do you have?
- What percentage of the time do you want to be in the Buy Box?

Beyond this initial price, you'll need to determine how you will update your price, as Amazon is a dynamic environment where pricing changes often. Some Amazon sellers

choose to reprice in-house, while others go with a third-party solution. Whichever you choose, the reality is that you need to have the ability to change your prices in real-time to keep shoppers from choosing competitors instead.

The frequency and extent of price changes depends largely on what you carry and how saturated your market is. In addition, the channels that you sell on matter because certain marketplaces may have price parity clauses, which state that they must have the same price on Walmart as they do on Amazon. Lastly, the pricing policies you have with your resellers are especially important on vast marketplaces like Amazon.



Protecting MAP and Pricing Policies

Minimum Advertised Price (MAP) is a brand's defense against degradation. After all, if distributors were able to pick any price they wanted for your products, your image and bottom line would suffer significantly. Why? Imagine a few resellers competing on price with your product, a domino effect would be likely as they inched profit margins lower and lower to win sales. Consumer perception of your product would take a nosedive and your own selling channels would suffer as a result. Some consumers might question the authenticity of those lower priced items or even decide to go with a competitor if they deem your product less valuable. With resellers selling a high volume of your items at a bargain basement price, shoppers will have no incentive to buy from your channels that have the exact same item at a much higher cost.

All of this can be avoided with a MAP policy, on-going monitoring, and enforcement. A MAP policy spells out how resellers can price your products, as well as any content requirements you have—such as using your product images and product descriptions to stay consistent across channels.

Beyond setting your MAP policy, you'll need to monitor your resellers and the Internet at-large to unearth violations. Some brands choose to cut a reseller off after the first violation, while others have a few warnings before that. On Amazon especially, knowing exactly how your products are being priced matters for your brand value.

Don't stop at MAP. There are a number of pricing policies beyond it that govern pricing in the United States and abroad. For example, some brands put a Unilateral Pricing Policy (UPP) to work for them to serve as a price floor for their products. All resellers are notified of this UPP and if they sell below the stated price, the brand will no longer supply them with products. Another example is Recommended Retail Price in the United Kingdom. Under this pricing policy, brands set pricing guidelines that retailers are expected to follow.



If you're considering or are new to direct to consumer selling on Amazon, it is the best way to ensure your pricing guidelines are maintained. Amazon itself will not police MAP. The behemoth is often the lowest price on the Internet, so if any other seller violates your MAP, Amazon can and will drop below that price to win sales. While monitoring resellers on Amazon is a good first step to maintaining your brand value, selling directly on Amazon is the only way to fully control your pricing on the massive marketplace.

Buy Box 101

Amazon's Buy Box is largely a black box. Many different factors go into it and those who continuously optimize are able to land in it. And it's well worth the effort. The Buy Box accounts for 82percent of all purchases on Amazon, so sleeping on it is not an option.

In order to be Buy Box eligible you will need to have a professional seller account (US) or a Pro-Merchant account (Europe). Next, you will need to make sure you are Buy Box eligible, as noted in your Amazon Seller Central account. In terms of what you sell, only new items will be counted toward the standard Buy Box. Lastly, your item needs to be in-stock.

What Goes into Winning the Buy Box?

Amazon uses the following factors to determine which seller wins the Buy Box. They are weighed differently based on the category, product type, and more. Winning the Buy Box requires time to experiment, as the marketplace is always changing.

Inventory

Amazon wants their customers to have the best possible experience, so they make sure that the retailer that lands in the coveted Buy Box is one that always has products in stock. Getting a shopper to check out and not being able to fulfil their order in a timely manner because of an out of stock situation is unacceptable and goes against Amazon's excellent customer service.

Shipping and Handling Speed

Amazon is known for speedy delivery. Retailers must be able to process and ship out orders within two days in order to be Buy Box eligible. Whether you can handle high volumes on your own, use Fulfilled by Amazon to avoid hiccups, or dropship, maintaining a shipping and handling process that takes two days or less is a must.

Final Price

Competitive pricing on Amazon is required to win sales. After all, shoppers have countless seller options to sift through, so your pricing needs to entice them. Final price is especially important, which is product price and shipping and handling costs combined. The interesting thing about Amazon is that the lowest cumulative price doesn't always win the Buy Box, the bigger picture and full seller offering matter more.



Making the Most of the Buy Box

Once you win the Buy Box, the most profitable strategy is to slowly raise your price until you lose it. Next, lower your price incrementally until you win it again. That way, you can learn the maximum price you can charge at any given time, while still winning the Buy Box.

It's important to note that the maximum price you can charge in the Buy Box changes from time to time, so having the capability to reprice in real-time to maintain it is crucial. Also, your performance metrics could impact the price you are able to charge. A high performing retailer is allowed to charge more at times and still win the Buy Box, while a lower performing retailer would have to offer a substantially lower price to potentially win it.

You may not be able to win the Buy Box 24/7 and that's ok. Especially if Amazon is also offering the products you sell, increasing your share of Buy Box ownership is also a good goal, instead of striving to own the Buy Box around the clock.

There are three different ways to handle repricing on Amazon: manual, rule-based, and algorithmic. Manual works for small scale retailers, but the more ASINs you have, the trickier it gets. Rule-based repricing acts on specific rules, such as "if I lose the

Buy Box, decrease my price by 5 cents until I win it back." Lastly, algorithmic repricing takes the reigns and machine learning learns from pricing tests to figure out the best price. When it comes to algorithmic repricing, [Northeastern University](#) found that 60percent of sellers using pricing software win the Buy Box with a price above the lowest available.



Advertising on Amazon

By Mike Ziegler, President of Marketplace Clicks

Marketplace Clicks

Advertising on Amazon is a great way to drive more traffic to your products that can lead to more conversions. Advertising is a critical factor in a seller's overall performance on Amazon. In many competitive categories there may be hundreds or thousands of comparable products for shoppers to choose from. A seller can no longer simply trust that shoppers will organically discover their products. A coordinated and optimized use of the various ad tools will increase a seller's overall success.

Amazon provides sellers a set of self-service advertising tools. The ads appear alongside organic results and are the only way sellers can directly influence how and when their products are displayed to shoppers. The ad impressions are free, and sellers are only charged when a shopper clicks on the ad.

Sponsored Products

Sponsored products are keyword targeted ads which appear next to organic results when shoppers search Amazon. There is no custom ad creative, and only the word "sponsored" distinguishes the ads from organic results. These ads also appear on product detail pages and a growing list of placements across the Amazon ecosystem.

Sponsored product ads will comprise the largest share of a seller's Amazon ad spend, usually 75percent or more. The ads themselves are simple to create. You only need to select which product(s) to advertise and then choose the targeting method. If you choose manual targeting, you must enter a set of keywords and/or choose from a list of recommended keywords. You can also select the match type, broad, phrase, and exact. The general campaign architecture is similar to Google AdWords.



Amazon also offers automatic targeting, which displays your ads to all relevant customer searches. Most best practices include a combination of automatic and manual targeting in order to increase ad coverage to as many relevant terms as possible.

Advertising on Amazon Part 2

Headline search ads

Headline search ads are keyword targeted banner ads which appear at the top of search results. Like Sponsored Products, Headline Search ads will appear on Amazon pages on both mobile and desktop. These ads are a bit higher in the purchase funnel and serve to drive search traffic and brand awareness. These ads are often used for defense on the seller's primary brand terms.

The ads consist of a hero image, which is customizable, a 50 character text, and three product listings. Sellers have the option of directing ad clicks to the custom brand page or to a landing page list of products.

Headline search ads are the second most popular ad type and may comprise of up to 20percent of Amazon ad spend. Amazon is expanding the number of ad placements for headline search ads, which may allow for a growing share of ad spend over time.

Product display ads

Product display ads are product targeted ads which appear on product detail pages, typically below the Buy Box and below the product bullet points. Sellers can select specific products or categories of products they want to display. These ads are typically used to target competitors and divert traffic back to the seller's listing.

The ads consist of a customizable hero image, a 50 character text, and the product

itself. These are the least popular ad type, primarily because performance is not as strong as the other ad tools. Product display ads may comprise of up to 5percent of Amazon ad spend.

Advertising optimization and results

Advertising performance can vary significantly, dependent on factors such as product category, brand recognition, competition, and seasonality, to name just a few. The primary performance metric used by brands to assess ad performance is ACoS (Advertising Cost of Sales). It's a simple measure of efficiency, dividing ad spend by attributed ad sales.

Sellers can devote considerable time and energy to manage their ad campaigns, as they require regular optimization. Increased ad usage by brands is driving ad costs higher. Many are turning to API connected software providers to improve their efficiency, while a growing share outsource management to ad agencies.

Judging ad performance depends on the goal the brand wishes to accomplish. If a seller is launching a new product, ad costs may be higher initially, as well as the ACoS. Ads defending brand terms or promoting best sellers are often much more efficient and produce a relatively lower ACoS.

Reviews and Customer Service

Unless you are selling a major brand name item on Amazon, it is likely the next Amazon customer who looks at your product has never experienced your brand or the specific item first-hand. While a properly optimized listing will help to address the customer's potential questions, a primary cue for defining the expected quality of the product experience is created through product reviews. Listed at the top of the product detail page, the 5-star review methodology is used by Amazon to provide customers with input from other Amazon customers that have experienced the product before. We encourage sellers to strive towards getting at least 20 reviews per product listing, with an average of at least 4.0 out of 5.0. Customers like to see at least 4.0 average on product reviews, while Amazon's search algorithm is believed to reward product listings with at least 20 reviews with higher search results.

Sellers can ask their customers to leave product reviews after the sale. While Amazon has had to tighten up rules about how product reviews can be requested (today, no incentives or compensation is allowed), there are a number of inexpensive third-party software tools available that sellers can use to automate the requesting of product reviews from Amazon customers. Even with these tools, response rates to such solicitation can be under 5percent, meaning sellers will need to be patient to build up dozens of product reviews per product.



Reviews and Customer Service Part 2

While we all wish our products to be universally loved by customers, in reality no product will be “Excellent!”, “Awesome!”, or “The Best Product I’ve Ever Used!” to all customers. So, sellers should be paying close attention to product reviews, and using the feedback from customers to identify potential and actual problems with their products. This feedback loop gives sellers the opportunity to make improvements to their products, or to their product listings (is the problem with the product functionality or packaging, or confusion about the product from a poor product listing?).

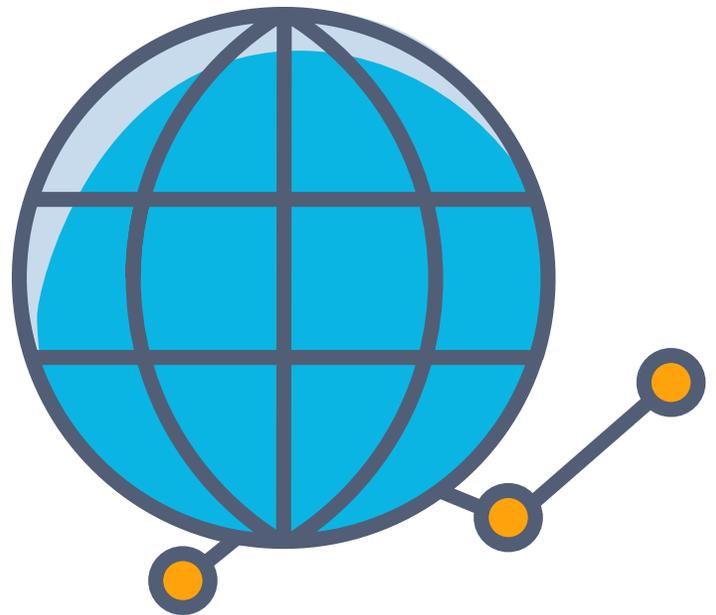
Closely tied to active management of product reviews is the active management of customer service on Amazon. Sellers on the Amazon marketplace are required to answer all customer emails within 24 hours, even if the seller needs to come back later with a more complete answer, following

in-depth discovery of the necessary details for a full answer. While most questions from Amazon customers deal with issues of timing of delivery or concerns about refunds, customer service questions can offer a rich environment for sellers to learn what confuses customers today about the product/packaging, or the product listing. While some customers may ask seemingly nonsensical questions, the mature seller will view every question as an opportunity to make the experience more complete and rewarding for the customer.



Conclusion

Selling on Amazon is a great opportunity for brand recognition and sales, but it is challenging to get right. As with any complex ecosystem, there are specific codes of conduct that all sellers must abide by to succeed on the marketplace. And in addition to these, a healthy dose of experimentation will also go a long way. Despite best practices, there is no clean-cut path to success on Amazon. The marketplace is accessible to just about anyone who wants to sell, but only those that play by the rules and take the time to continuously optimize will get ahead.



About Us

Wiser is the leading provider of actionable data for better decisions. Wiser collects and analyzes online and in-store data with unmatched speed, scale and accuracy. The Wiser platform then blends these insights with advanced workflow software to drive business value for brands and retailers, including restaurants. Using a unique combination of data science and human validation, Wiser offers integrated solutions for every aspect of retail, all in one place.

Learn more at www.wiser.com and follow [@wiserdata](https://twitter.com/wiserdata)

About Buy Box Experts

Buy Box Experts is a marketing agency supporting brand executives through the development of proper online brand governance, and the growth of sales on the Amazon marketplace. We offer advisory services and full-service account management, including listing optimization, and advertising services.

Learn more at www.buyboxexperts.com



Wiser is a single source partner by design, with solutions for every aspect of retail, including:

Market Intelligence

- Promotional Analysis
- Pricing Intelligence
- Private Crowd

Optimization

- In-store Shelf Health
- Online Repricing

Compliance

- MAP Monitoring & Case Management
- In-store Merchandising

