BALANCING AN AMAZON VENDOR + SELLER STRATEGY

Selling to Amazon vs. Selling on Amazon
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Introduction

When you're a vendor on Amazon, life is pretty good.

Once your products are in Amazon’s warehouse, they take care of everything, and you get paid.

Amazon's tagline for Vendor Central says it all:

“You make it. We buy it. Your business grows.”

But what about those times when you want to alter something on your listings, and it’s not within vendor guidelines?

Or when you’re not happy with the rock bottom price on a product, but you’re not in control of it?

There are pros and cons between both 3P selling and 1P selling on Amazon, and we'll explore them all here.
3P (Seller Central)
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3P (third party): Sells products directly to consumers via Seller Central. Can be Seller-Fulfilled or regular FBA (Fulfilled By Amazon).

Amazon’s Ideal 3P Candidate

Fills Selection Gaps

Amazon does want 3P sellers to be successful (so that Amazon can be successful), but Amazon’s main goal will always be to please their customers.

Carina McLeod, a former Amazon Vendor Manager, explains:

“Amazon wants 3P to maximize their sales potential on the marketplace, but it’s all about filling those selection gaps. Amazon may not be able to get all of the brands they need on the vendor side, but those brands may access the 3P side. It's all about the customer experience, and they want the customer to be able to go on and discover and buy any product they want.”

Simply put, a 3P seller who’s filling a gap either in product or brand selection is very welcome, as long as they are not prohibited items.
Pros & Cons of 3P

Pro: Control Over Prices & Products

3P sellers have more control over their prices and promotions because there’s no middleman (a.k.a. Amazon) dictating prices. Vendors do not have this bonus.

In addition, 3P sellers are in complete control of the products (and the number of units) they choose to sell on Amazon, while vendors must frequently concede to Amazon’s requests.

Pro: Control Over Promotions

If you’re a 1P seller, it can be difficult to launch a product using Vendor Central alone. (We’ll talk more about that in the Vendor “Cons” section.)

3P sellers, on the other hand, have access to a wide variety of 3P tools to boost the velocity and sales history of brand new products right off the bat.

Pro: Set Commission Fee

3P sellers don’t have to worry about the confusing fee percentages Vendors deal with. Theirs are pretty set.
Pro: Access to EBC Content

This used to be a con—the inability to access A+ content—but Amazon came through with access to Enhanced Brand Content for 3P sellers, which provides nearly all the same benefits.

Learn more about EBC Content in these posts:
What is Amazon Enhanced Brand Content?
Brand Seller's Guide To Enhanced Brand Content [PDF]

Con: Handling Customer Service & Returns

As a 3P seller, you are truly in control, particularly if you're not using FBA.

That means you’re responsible for everything from customer complaints (and the subsequent poor reviews) to the actual shipping and handling of a product to a customer. And if you're not in line with Amazon's policies, you could get suspended.

BONUS: Where Does Vendor Express Come In?

If you’re a 3P seller and Amazon hasn't invited you to become a vendor (1P), you can use Vendor Express to get a similar program.

Learn more about Vendor Express in these blogs:
What is Amazon Vendor Express?
Should Sellers Use Amazon Vendor Express?
1P (Vendor Central)
1P (Vendor Central)

1P (first party): Sells products wholesale to Amazon using Vendor Central. 1P is also called “vendor”. 1P/vendors must be invited by Amazon to join Vendor Central.

Amazon’s Ideal 1P Candidate

Has a Wide Range of Popular Products That Sell Well

Amazon wants selection that fits what the customer is looking for. That’s why in most cases, they want access to a brand’s full selection of products.

“It’s not like other retailers that will cherry pick—they will pick all of the products that make sense and are deemed profitable for Amazon.”
- Carina McLeod, Amazon Consultant

Doesn’t Need Hand-Holding

A buyer may have hundreds or even thousands of vendors depending on the category. They don’t have time to jump in and assist with listing management, payment hangups, or promotion issues.

“Vendors should be able to utilize the tools available to them in Vendor Central to drive sales and grow their business without frequently asking vendor managers for direct support.”
Pros & Cons of 1P

**Pro: Less Resource Intensive**

Many vendors feel they have more peace of mind when they can pass products off to Amazon. Amazon must deal with tough customers, shipping, etc., while the vendor gets paid.

However, there is a reason we said “somewhat”—vendors still have a responsibility. If your units don’t sell, you could have some problems.

“If you sell 1,000 units to Amazon, but not a single unit sells to customers—it’s likely Amazon will rethink their decision to place POs from you for that item and might decide to no longer buy any units.”

**Pro: Fewer Variables to Manage (and Better Ad Management Services)**

This is another huge benefit that’s right up there with safety—vendors overall endure fewer headaches than the average 3P seller on Amazon.

Most of the selling strategy is taken care of for them—promotions on Amazon can be handled by Amazon Marketing Services (AMS), and within AMG, Amazon Media Group, which provides access to display ads and Kindle & Fire “experiences” with brands.

Learn more about AMS and AMG in these posts:
- What is Amazon Marketing Services?
- What is Amazon Media Group?
Pro: Access to A+ Content

While Enhanced Brand Content just emerged for 3P sellers this year, A+ Content has been around for a while. This extended content can have a positive effect on conversions, and A+ offers even more modules for vendors to work with than those available through EBC.

Learn more about A+ Content here: What is Amazon A+ Content?

Pro: Additional Tools for Launching Products (Reviews on Vine)

Technically, as a vendor, you don't have the upper hand in product launches. Amazon doesn't really have incentive to buy a product that they're not sure will sell, Cooley points out.

However, Amazon vendors do have access to Vine, Amazon's premier review platform for sellers looking to gain unbiased reviews on new products without a history.

Considering 3P sellers recently got slammed by the incentivized review ban and the Early Reviewer Program has been slow to roll out, this is a pretty fantastic feature.
Con: More Confusing Fees

There’s a reason we wrote an entire post about negotiating with Amazon Buyers—it’s just not quite as simple to figure out where and how Amazon decides to pay for your products (and the act of selling them).

Con: Limited Creative and Pricing Control

We alluded to this before, but when you’re a vendor, Amazon has the last say about your product titles, descriptions, and images.

Guidelines are stricter than they are on the 3P side, and if your listings aren’t up to par, Amazon will either change them without notifying you (in some cases) or they’ll request that you make changes yourself.

“3Ps sellers like the 3P relationship because they control pricing and product listings. When they go and sell those products to Amazon on the vendor side, Amazon is setting those retail price points. There’s no price fixing, and Amazon alone will choose what they wish to sell those products at.”

Carina McLeod
Former Vendor Manager
Amazon
**Con: Potential Cash Flow Problems**

Many vendors have complained that their payments have either been held or are slow to go through for a shipment.

This isn't technically something that affects every 1P seller, but it could—so just keep that in mind if you’re really relying on those paychecks.

**Con: Less Seller Support**

Many vendors have also complained that they don’t receive as much support on the 1P side as they do on the 3P side.

And at the end of the day, it’s really a bandwidth issue for buyers—they expect vendors to be pretty self-sufficient.
Transitioning from 1P or 3P
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There are two routes you could go if you've decided you're not a fan of the vendor-only route:

1. Switch to Seller Central (sell as a 3P with or without FBA)
2. Sell as both 1P & 3P (hybrid strategy)

Switching from 1P to 3P

If you aren’t working with an agency (or you’re not a huge brand), it can be tough to get access to Amazon’s 3P onboarding team.

At CPC Strategy, because of our relationship with the Amazon team, we are fortunate to have access to a 3P portal which gives us the inside track to that team.

This portal includes:

- A dedicated onboarding contact to assist with the transition
- Assistance with troubleshooting issues that may arise
- Help setting up product listings

Before you attempt to switch fully from 1P to 3P, you should know that challenges might arise as you transition your entire business from Vendor Central over to Seller Central.
Challenges of Switching from 1P to 3P

90-Day Waiting Period for Buy Box Eligibility (Sans Portal)

If you are transitioning to the 3P side of the business without access to a portal, there's a 90-day waiting period for Buy Box eligibility.

*Note: CPC Strategy’s portal allows us to bypass this waiting period so the brand manufacturer can get Buy Box eligibility right away.*

You Could Get Blocked

If you are an established vendor, your Amazon vendor manager can block you from creating a 3p account.

According to Cooley, Amazon Vendor Central and Amazon Seller Central are viewed as two separate entities fighting for the same business.

“If a vendor says they want to transition to the 3P side of the business, what they're actually saying is that they are going to take their business away from the vendor side and move it into the 3p. You can think of it as one company losing business to another, even though it is all housed under Amazon’s roof. That is why vendor managers will sometimes block the creation of the 3p & technically, they do have the final say.”

David Cooley
Manager, Marketplace Channels
CPC Strategy
There is a way to get around the buyer’s block, and that’s by creating an entirely new line of business—of course, that means different banking information, tax IDs, and more.

“This wouldn’t be the easiest approach, but it is an option if you get blocked.”

However, this strategy does come with a risk. McLeod chimes in:

“You could start up your 3P account on the quiet, but then Amazon may discover it, say they never approved it, and may suspend your 3P account immediately.”

If you’re looking to increase your sales the safe way, we usually recommend a hybrid approach, where you sell products on both the vendor & 3P side with Amazon’s approval.
Balancing 3P and 1P With A Hybrid Approach

Approximately 20% of CPC Strategy’s clients implement a hybrid approach to selling on Amazon—meaning they’re both 3P and 1P.

The hybrid approach offers flexibility and power you wouldn’t get otherwise.

For example, you’ll have inventory coverage for vendor stockouts.

Let’s say on the 1P side, you send Amazon some particularly popular products, and Amazon sells through them before your next shipment goes out. Welcome to the dreaded inventory stockout.

This is where the 3P side of your business will come in handy, and you can offer a backup of those products and continue to sell from the 3P side.
Challenges With the Hybrid 3P+1P Strategy

Your biggest challenge is also the most obvious: Once 3P selling is apart of the equation, you must come up with a game plan to manage both.

This can be difficult if you’re already selling across other channels, including traditional outlets. You may need to hire an internal team to manage your 3P side or hire an outside agency specializing in Amazon selling.

Here are some other challenges you’ll run into with the hybrid strategy.

Product Launch Problems

When you have a new product you’re ready to launch on Amazon, where do you launch it?

Jordan Gisch, Marketplace Channel Analyst at CPC Strategy, explains:

“There are two questions you run into at this point. You could launch the new product on the 1P side, which will give you access to the Vine program, A+ Content, vendor support reps, and AMS.
Or, you could launch the new product on the 3P side, and use reviews from legitimate third parties such as Viral Launch, EBC content, and Feedback Genius to send CRM emails after purchase to get that product moving."

Learn more about launching products on Amazon in our free download: The Amazon Seller’s Guide to Product Launches

Difficulty Moving Products From 1P to 3P

If a product is performing well on 1P, some sellers want to add that product to 3P. This could potentially offer better margins, but sales could also drop off. In addition, buyers will not appreciate a vendor moving a high volume driving product completely over to 3P.

“Typically vendor managers don’t want their clients to open a 3P account, and in some instances, they can block it from happening.”

Sponsored Products Cannibalization

If you’re running Sponsored Product ads on both the 3P and 1P side, you should be aware that you could be competing against yourself. Keep an eye on both to make sure you’re putting the most money towards the highest drivers of sales.

“If you’re running Sponsored Products ads in 3P and Sponsored Products ads in 1P, they could be competing against each other and drive up CPC.”
Amazon May Ask for More of Your Catalog

If you’re a manufacturer hoping to expand to 3P, you should be aware that Amazon may require that you keep best selling products on the vendor side.

Alternatively, if you’re a 3P seller and you decide to expand to 1P at Amazon’s invitation, you won’t have as much control over what you get to sell where.

Let’s say you have **20 products but you only want to sell two on the 1P/vendor side**. According to McLeod, it’s likely Amazon won’t settle for just those two items.

In fact, Amazon alludes to this on their Product Availability Policy for Manufacturers:

> “If you are a manufacturer and your products are sold by any other retailers or distributors, we expect you to offer Amazon Retail the option to source those products at competitive terms for sale as Retail items only.”

This clause may be vague, but it’s pretty clear that Amazon wants full access to your product catalog, especially if Walmart or another retailer already has full reign over it.
Here are a few items that vendors typically prefer to not to offer to Amazon:

1. Discontinued items (unless Amazon agrees to bulk buy)
2. Items with limited stock or poor availability
3. Items with a low profit margin

Essentially, vendors must provide solid reasons why they cannot sell those products to Amazon.

Amazon buyers will most likely pass on products that are not profitable, have low retail price points (below $10), or bundles that are not prepacked.

As you seek to manage your inventory across both 3P and 1P, remember most attempts at “getting around” Amazon’s policies don’t go well.

If you’re already a 1P vendor, you have to be extra careful to legitimately manage your 3P account, and shouldn’t attempt to sneak products past your buyer.
The Bottom Line
The Bottom Line

There’s no clear winner when it comes to 3P vs. 1P—it really just comes down to your current setup.

If you have a wholesale background, solid distribution strategy, and are already selling to multiple retailers, you’re probably an ideal candidate for 1P. The transition will be simple, as you’re already set up to ship products in bulk and work with Amazon’s wholesale shipping requirements for vendors.

So who’s the best candidate for 3P? Evolving brands and private labels are working really well, according to McLeod, because Amazon 3P is a great place for new brands to test the waters at minimal risk.

“Ideally, 1P exists as a wholesale route, and 3P exists as a direct to consumer route. It really depends on that brand or business’s setup.”

But if you really want to excel on Amazon, it's time to get away from the 3P VS 1P mentality, and think more about how they can both propel your brand forward.
Schedule Your Amazon Strategy Evaluation

CPC Strategy's Amazon Audit is a complimentary 60-minute analysis and assessment of brand's existing Vendor Central account, advertising programs, product order (PO) volume, and profitability metrics.

SCHEDULE MY EVALUATION

We Turn Browsers Into Buyers