



# THE 2016 GUIDE TO FULFILLMENT BY AMAZON

How Professional Sellers Can Leverage the FBA Infrastructure

# Table of Contents

Introduction .....	3
What Is Fulfillment By Amazon? .....	4
Product Discoverability & Buyability .....	8
2016 FBA Fee Updates .....	19
The Pros & Cons Of FBA .....	31
Inventory Management .....	38
Amazon Seller Fulfilled Prime .....	43
Final Takeaways .....	47



# Introduction

Amazon helps businesses reach more customers than ever before and has one of the most advanced fulfillment networks available in the world.

It's important for sellers to understand the significance of Fulfillment by Amazon and how leveraging Prime can impact their sales performance.

FBA is considered one of the most influential levers third-party sellers can utilize to improve Marketplace performance and get ahead of their competitors, but without a proper FBA analysis, many sellers will see their profitability fall short of projections.

FBA can actually be used for fulfillment on channels outside of the Amazon Marketplace (ex. the seller's site, eBay, etc.), but this white paper will focus on FBA's role in the 2016 Amazon Marketplace only.

In the following guide, we will cover the pros and cons of FBA, 2016 FBA fee updates, inventory management, and Amazon's latest offering—Seller Fulfilled Prime.





# What is Fulfillment By Amazon?

Adding a strategic layer that sits on top of Amazon operations is the solution to surpassing the Amazon Plateau.

While there are many aspects of Marketplace management that can be evaluated and improved, one of the most immediate and significant changes a seller can make is utilizing Fulfillment by Amazon for key catalog segments.

Fulfillment by Amazon is a program where third-party Marketplace sellers can leverage Amazon's expansive and efficient fulfillment infrastructure to:

- ✓ Warehouse units
- ✓ Pack and ship orders to customers
- ✓ Provide customer service for those orders



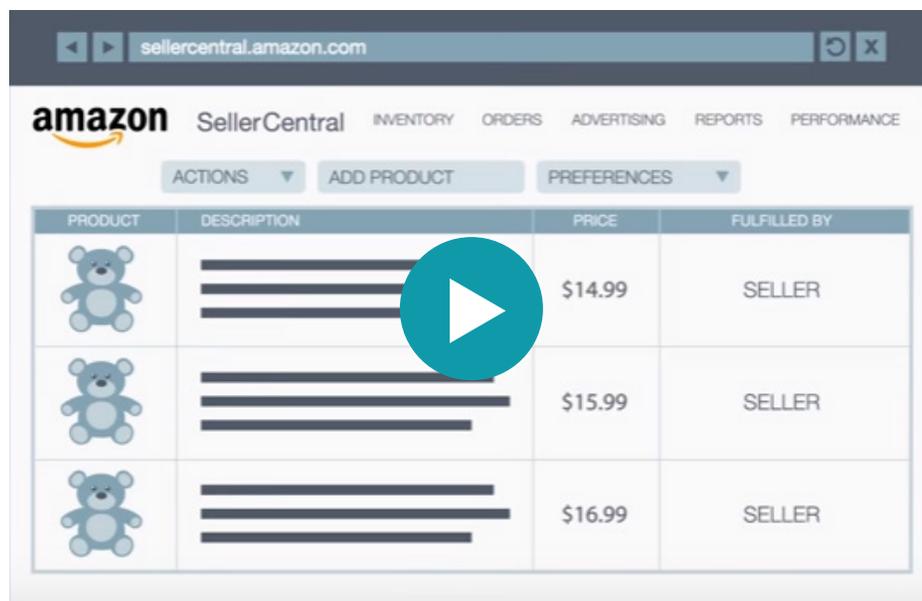
**PRO-TIP:** FBA services cost an extra percentage of the order – on top of the existing Marketplace referral and variable charges.

## How Does FBA Work?

With FBA, the seller is essentially only required to label and ship units to an Amazon warehouse. This is done through Seller Central, where FBA inventory can also be tracked and replenished by the seller.

Once Amazon receives and scans-in the units, those products are immediately available for sale. From there, Amazon handles storage (beware of long-term storage fees, which we will talk about later), packaging, shipping, and customer service on behalf of the merchant.

The video below explains this concept:



Initially, many sellers may find FBA to be an intimidating program simply because of the confusion around creating inbound shipments.

When creating an inbound shipment in Seller Central, Amazon will often automatically implement split shipments, ie. 33% of FBA units go to Fulfillment Center A, 33% to Fulfillment Center B, and 33% to Fulfillment Center C.

This is a standard practice because FC's (Fulfillment Centers) have different capacity limits and capabilities (ie. refrigerator units).

In this scenario, the seller would be required to split up their units and ship them to 3 different FC's (Fulfillment Centers).

If a seller opts-out of split shipments, which is typically not recommended, they will have to pay around 30 cents/unit to be able to send to just a single FC.



## Why is FBA a Big Deal?

Perhaps the most obvious beneficiaries of FBA are small business owners, who likely don't have efficient fulfillment systems in place and don't want to risk the potential negative effects that a poor customer experience could instigate. For this reason, Amazon is a very favorable business partner.

Yet professional Amazon sellers see the bigger picture, namely:

- ✓ FBA inventory's eligibility for Amazon Prime
- ✓ Its influential role on Buy Box ownership
- ✓ The added safeguard for other significant Buy Box factors like Fulfillment Latency and Seller Rating
- ✓ The benefit that FBA represents a seller's brand in a more positive light. There is a very strong correlation between FBA utilization and higher sales performance

While there are a good amount of professional Amazon sellers who FBA 100% of their inventory, this isn't to say that every third-party seller should do this. One of the goals of this white paper is to paint FBA as a very immediate, strategic tool sellers should deploy only for the listings it makes sense for.

A common misconception is that sellers should either be 100% FBM or 100% FBA, yet most professional Amazon sellers are an FBA/FBM hybrid. Not every product a seller offers will be a good candidate for FBA for a variety of reasons, mainly size, sales performance, and margin. Knowing which listings it makes sense for is called FBA inventory selection, and this will be covered later in the guide.

Product Discoverability & Buyability



# Product Discoverability & Buyability

Amazon actually uses “discoverability” and “buyability” internally and for good reason—they encompass and dictate almost every strategic lever that impacts sales performance on the Amazon Marketplace.

## Discoverability

The ability for a product listing to be found on Amazon. From a consumer’s point of view, Amazon is essentially seller agnostic, focusing search results on products rather than the sellers of those products.

For a third-party seller of a given product, there is an incentive to increase the overall number of visits to a product detail page provided that the seller is in a good position to win the sale for that product. To relate it to more traditional product ad channels, think driving traffic. [Get the Discoverability Guide here.](#)

## Buyability

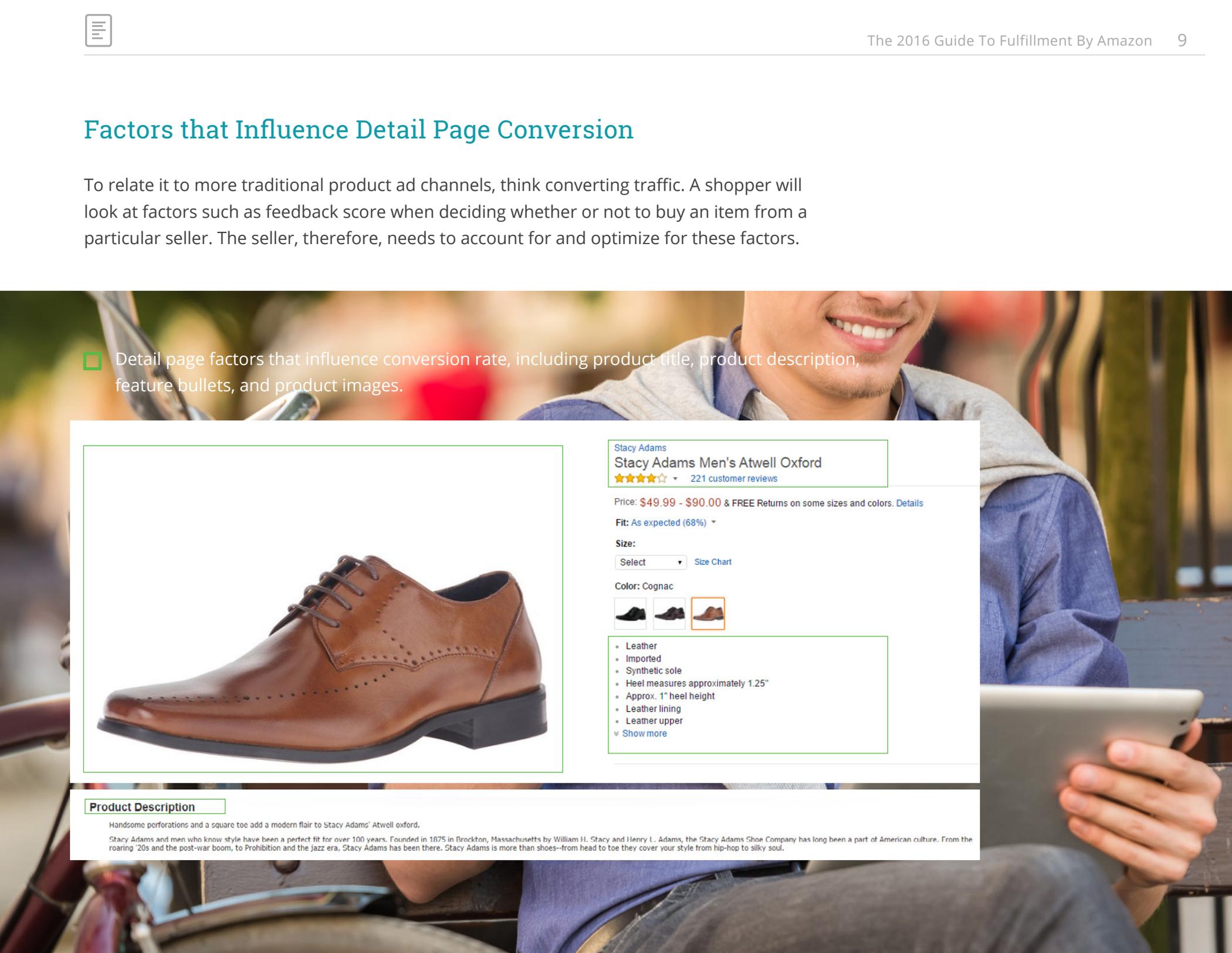
Buyability is focused on converting that traffic into orders, but it essentially refers to two highly overlapping factors. See the next page for details. [Get the Buyability Guide here.](#)



## Factors that Influence Detail Page Conversion

To relate it to more traditional product ad channels, think converting traffic. A shopper will look at factors such as feedback score when deciding whether or not to buy an item from a particular seller. The seller, therefore, needs to account for and optimize for these factors.

- Detail page factors that influence conversion rate, including product title, product description, feature bullets, and product images.



The image shows a man in a blue shirt and grey hoodie sitting on a bench, smiling and looking at a tablet. Overlaid on the image is a product detail page for Stacy Adams Men's Atwell Oxford shoes. The page includes a large image of a brown leather oxford shoe, a price range of \$49.99 - \$90.00, a 4.5-star rating with 221 reviews, and a list of product features such as leather, imported, synthetic sole, and leather lining.

**Stacy Adams**  
**Stacy Adams Men's Atwell Oxford**  
★★★★☆ 221 customer reviews

Price: ~~\$49.99~~ - ~~\$90.00~~ & FREE Returns on some sizes and colors. [Details](#)

Fit: **As expected (68%)**

Size:  
 [Size Chart](#)

Color: Cognac



- Leather
- Imported
- Synthetic sole
- Heel measures approximately 1.25"
- Approx. 1" heel height
- Leather lining
- Leather upper

[Show more](#)

**Product Description**

Handsome perforations and a square toe add a modern flair to Stacy Adams' Atwell oxford.

Stacy Adams and men who know style have been a perfect fit for over 100 years. Founded in 1875 in Brockton, Massachusetts by William H. Stacy and Henry L. Adams, the Stacy Adams Shoe Company has long been a part of American culture. From the roaring '20s and the post-war boom, to Prohibition and the jazz era, Stacy Adams has been there. Stacy Adams is more than shoes--from head to toe they cover your style from hip-hop to silky soul.

## Factors That Influence a Seller's Buy Box Percentage

Because there can be multiple sellers for an ASIN, a seller also needs to attain as large a percentage of the Buy Box as possible.

**beltox fine**  
Beltox Fine Men's Dress Belt Leather Reversible 1.25" Wide Rotated Buckle Gift Box  
★★★★★ 11 customer reviews

Price: \$46.00  
Sale: \$12.99 & FREE Shipping  
You Save: \$32.01 (71%)

Size: 34-39 Size Chart

**In Stock.**  
Want it tomorrow, July 2? Order within 26 mins and choose Saturday Delivery at checkout. Details  
Sold by queyu and Fulfilled by Amazon. Gift-wrap available.

- Imported
- 100% leather belt, without Nickel Alloy Buckle
- 1.25" wide belt, suitable for size 30-47 waist, plz buy one size larger than your waist
- Black and brown reversible belt, silver single prong buckle, 5 grommets in the belt, cuttable to size
- Rotated buckle making it easy to reverse the belt from black to coffee and vice versa
- Gift box presented, 12 months buy return or refund, quality guaranteed

Frequently Bought Together

Product	Price Range
Haggar	\$24.50 - \$64.99
Heel Inc.	\$9.95 - \$21.99
Levi's	\$19.99
Synthetic Apparel	\$19.99 - \$22.99

[Report incorrect product information.](#)

The Buy Box is a coveted space which can be "won" by any seller with an active offer against an ASIN. A shopper of this product may see one such seller in the Buy Box, while another shopper may see the same product with a different seller a few minutes later. The seller "Queyu" is the current Buy Box owner for this ASIN in the image example above.



## Why Is the Buy Box So Important?

The Buy Box is the single most essential piece of “property” on the Amazon marketplace.

With 82% of Amazon website sales going through the Buy Box, and an even larger figure in Amazon mobile sales, the Buy Box is seen as the key opportunity for online marketplace sellers today to increase their selling potential.

It is crucial for sellers to learn about how the Buy Box works and how Amazon determines who “wins” this coveted spot.

So what motivates Amazon when it comes to choosing who wins the Buy Box? Simply put, Amazon will always favor offers that are most customer-friendly and consequently, the most likely to be purchased.

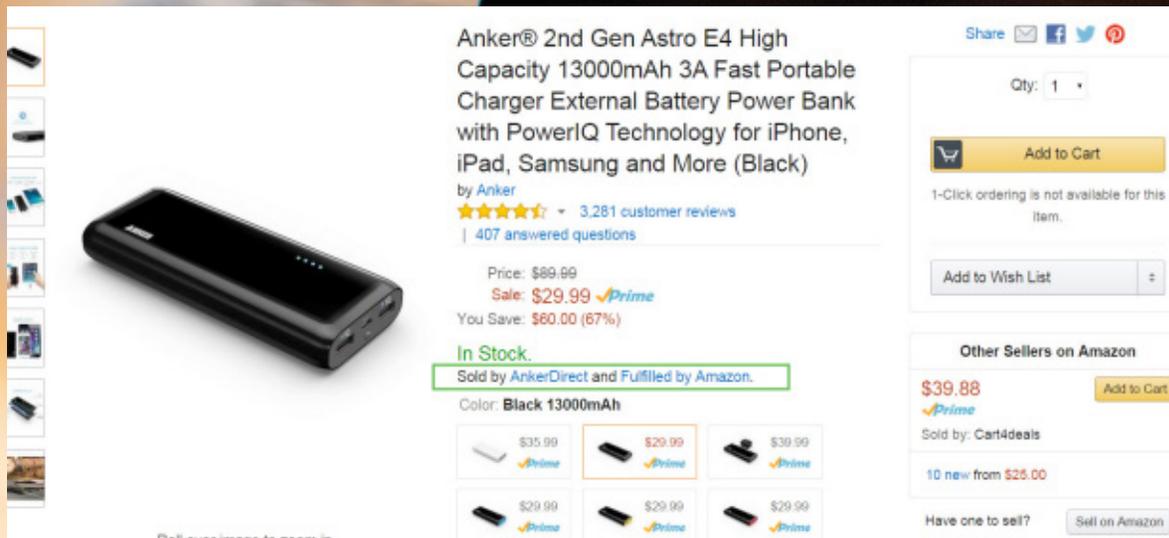
### Amazon’s Raison D’etre

Amazon prides itself on the company’s extremely high levels of customer service. In fact, Amazon’s whole essence focuses around offering the best possible experience to their customers.

It is for this reason that the Buy Box was created with the objective of comparing multiple offerings of the same product in order to determine which will provide the customer with the highest levels of satisfaction. To Amazon, this means the offers with the best price, fulfillment method, seller rating, etc. The Amazon Buy Box winner is determined by an algorithm that aims to give the customer the best possible value.

It does this by first determining which product offering meets all the necessary minimum requirements. It then breaks down each eligible offering into many different variables and uses them to find the seller who offers the best balance between high seller performance and low cost price.

Returning to the topic of Buyability, let's look at an example:



Say there were 100 overall orders for this portable battery charger in the last 30 days.

AnkerDirect, the current Buy Box owner, may have 50% Buy Box ownership share during that time period and thus won 50 of those 100 orders. With the goal of maximizing product buyability, a third-party Marketplace seller would want to increase 2 variables—see the next page for details.



**1** **The overall number of page conversions occurring on the product detail page**  
(e.g. increasing from 100 to 150 total orders)

It's very possible that plenty of shoppers are landing on this product detail page but don't end up purchasing the product for a number of seller related or product-page related reasons, including a short product description, un-descriptive feature bullets, or a lack of product reviews.

By improving the factors that influence conversions on the product detail page, a seller can effectively convert a higher percentage of the overall number of sessions to a product detail page.

**2** **Their percentage of the Buy Box** (e.g. increasing it to 75%.)

Since the Buy Box winner stands a higher chance of making sales than any other seller, the higher the seller's share of the Buy Box, the higher the number of orders they will make. This is most effectively accomplished by increasing Buy Box ownership share.

Fulfillment by Amazon influences both product discoverability and buyability, but increasing product buyability is where FBA will have its most significant impact. The following page breaks down how FBA specifically influences both concepts.

# How FBA Influences Product Discoverability & Buyability

Discoverability Factors	Impacted by FBA
Sales Performance History	✓
Relevance (Product Content)	
Search Keywords	
Product Images	
Product Reviews	
Sponsored Products	✓
Fulfillment Method	
Landed Price	
Inventory Quantity	

Buyability Factors	Impacted by FBA
Fulfillment Method	✓
Fulfillment Latency	✓
Landed Price	
Seller Rating	✓
Seller Feedback	✓
Product Content	
Product Reviews	
Inventory Quantity	



## FBA and Discoverability

When it comes to driving visits to Amazon listings, products that are FBA are more discoverable through 2 main routes:

- ✓ Search Filters
- ✓ Sales Performance History

### Search Filters

Amazon Prime users spend more and shop more often on Amazon than the standard consumer. Most importantly, they intuitively shop for Prime eligible products and will filter search results to show only Prime offers, effectively eliminating all non-FBA offers.

### Sales Performance History

This is an indirect correlation, but the idea here is that ASINs which feature an offer that shows “Fulfilled by Amazon” are more desirable to Amazon customers—both Prime and normal—than ASINs which don’t feature this.

This is because the shopper can expect an efficient, trackable delivery and exceptional customer service from an FBA product. In turn, a historically high performing ASIN indicates to Amazon that consumers like this product, and so it ultimately receives better visibility in search results.

amazon  
Try Prime

All - crockpot

Showing results in Home & Kitchen. Show instead results in All Departments.

**Best Seller**

Product	Price	Shipping	Rating
Crock-Pot SCCPVL610-S Programmable Cook and Carry Oval Slow Cooker, 6-Quart by Crock-Pot	\$49.00 <del>\$59.99</del> Prime Get it by <b>Wednesday, Jul 6</b>	FREE Shipping on eligible orders	★★★★☆ - 2,611
Crock-Pot SCCPVL600S Cook' N Carry 6-Quart Oval Manual Portable Slow Cooker, Stainless Steel by Crock-Pot	\$29.50 <del>\$29.99</del> Prime Get it by <b>Wednesday, Jul 6</b>	FREE Shipping on eligible orders	★★★★☆ - 1,684
Proctor-Silex 33043 4-Quart Slow Cooker by Proctor Silex	\$15.79 <del>\$19.99</del> Prime Get it by <b>Thursday, Jul 7</b>	FREE Shipping on eligible orders	★★★★☆ - 709
Crock Pot SCR450-PT 4-1/2-Quart Slow Cooker, Black Demask Pattern by Crock-Pot	\$19.99 <del>\$29.99</del> Prime Get it by <b>Wednesday, Jul 6</b>	FREE Shipping on eligible orders	★★★★☆ - 853

## FBA and Buyability

When it comes to increasing Buy Box percentage and conversion rate on detail pages, products that are FBA are more buyable through a few main routes including:

### Fulfillment Method

There are 2 main options for this, FBM (Fulfillment by Merchant) or FBA. An offer which is fulfilled by Amazon automatically gives it a much higher likelihood to “win the Buy Box.”

All things equal, an offer that is FBA will likely have a higher Buy Box ownership share than one that is FBM. A high Buy Box ownership share puts your offer in the best position to receive the majority of conversions occurring for a given ASIN.

## Fulfillment Latency

Fulfillment latency can be seen on the Other Sellers page. The shorter the fulfillment latency, the larger the positive influence on Buy Box ownership. Fulfillment by Amazon automatically defaults to this shortest window while FBM offers are subject to longer windows (ex. in 24 hours, 1-2 business days, 3-4 business days).

## Seller Rating

Because all aspects of fulfillment are handled by Amazon, the seller is not subject to negative ratings for metrics like On-Time Delivery Rate (ODR) and Late Shipment Rate. These directly affect a seller's seller rating (seen in Seller Central), which is a heavy Buy Box factor.

**Recent Feedback: ★★★★★**  
4.8 stars over the past 12 months (372 ratings)  
[Previous Page](#) | [Next Page](#)

**2/5:** "The bottle/packaging was not in good condition. There were several labels and a big piece of packaging tape wrapped around the bottle. The bottle was discolored and sticky. Not sure if the product is any good..."  
seriousreview, September 22, 2014

**Message from Amazon:** "This item was fulfilled by Amazon, and we take responsibility for this fulfillment experience."

**Hair Beauty World** FULFILLMENT BY AMAZON  
★★★★★ 35% positive over the past 12 months. (800 total ratings)  
• In Stock  
• Free Two-day Shipping: Get it Thursday, November 13 ( order within 10hr 12min )  
• Domestic shipping rates and return policy.

**Be You Beauty**  
★★★★★ 77% positive over the past 12 months. (132 total ratings)  
• Ships in 1-2 business days  
• International & domestic shipping rates and return policy.

**Sorriso Beauty**  
★★★★★ 94% positive over the past 12 months. (305 total ratings)  
• Ships in 24 hours  
• Ships from CA, United States.  
• Expedited shipping available.  
• International & domestic shipping rates and return policy.

# 2016 FBA Fee Updates



# 2016 FBA Fees Updates

On top of the existing Marketplace referral and variable charges, Amazon charges multiple fees to sellers who wish to use the Fulfillment by Amazon service. FBA fees are added in addition to the typical Marketplace fees for a seller's product category.

However, sellers should not view the fees as an incremental, extra cost for selling on the Marketplace. FBA fees are in place of a seller's normal operational costs (outbound shipments, packaging, customer service, etc.). This is a huge consideration that many sellers often overlook.

Last year, Fulfillment by Amazon (FBA) volumes, growth rates, and inventory levels were extremely high. As a result, Amazon's U.S. fulfillment centers were very full in the months of November and December and throughout most of Q4.

According to Amazon, the cause of this "fullness" was because FBA inventory did not sell until well into 2016.

To avoid potential capacity constraints during the 2016 holiday season, Amazon is accelerating the expansion of their fulfillment capacity.

Amazon is changing their FBA fee structure to encourage all sellers to send in and store products in November and December that are likely to sell by the end of 2016.



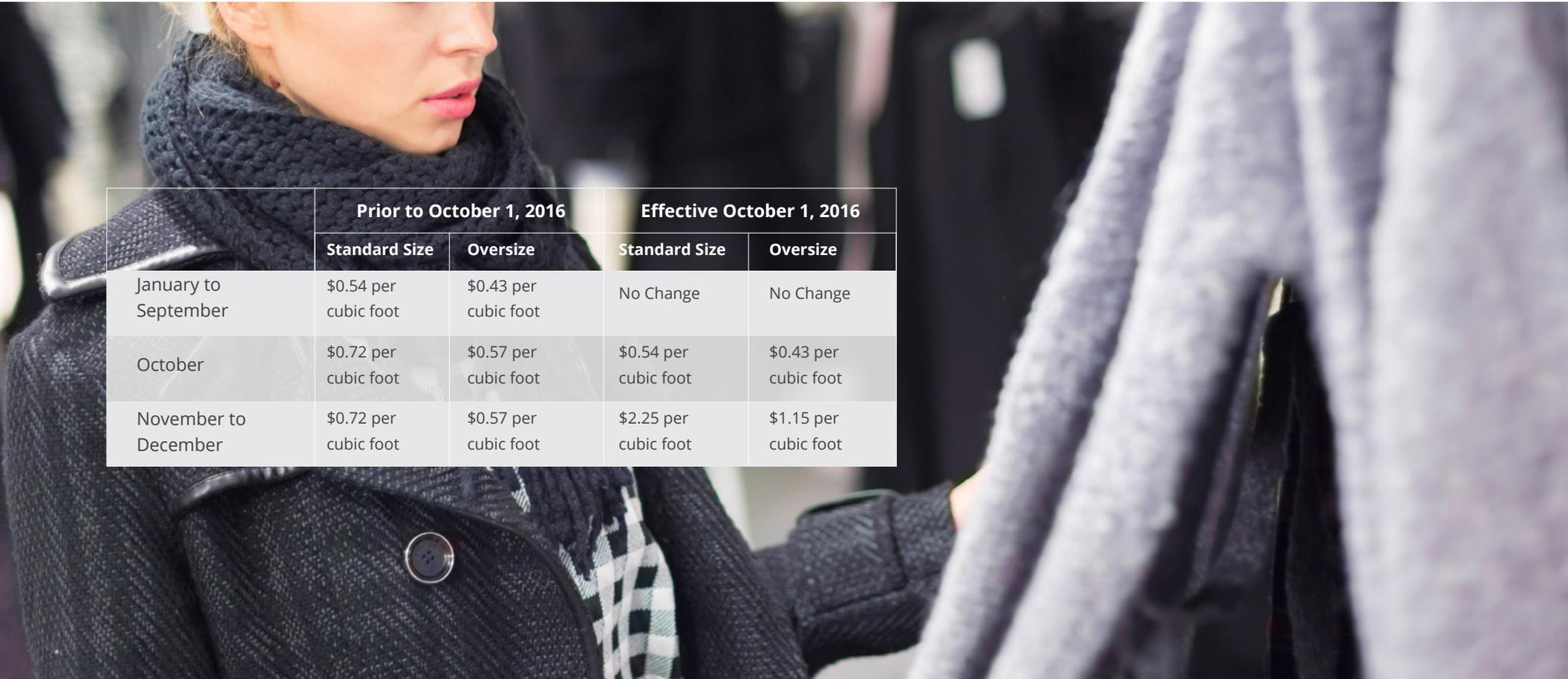
**PRO-TIP:** Changes will go into effect on October 1, 2016

## 2016 Amazon FBA Fees: [Monthly Inventory Storage](#)

Monthly inventory storage fees for standard-size and oversize items will change for storage in October, November, and December.

According to Amazon, fees for October will be reduced, and fees for November and December will increase.

This change will first be reflected in the November 2016 charges for October 2016 storage (as seen below).



	Prior to October 1, 2016		Effective October 1, 2016	
	Standard Size	Oversize	Standard Size	Oversize
January to September	\$0.54 per cubic foot	\$0.43 per cubic foot	No Change	No Change
October	\$0.72 per cubic foot	\$0.57 per cubic foot	\$0.54 per cubic foot	\$0.43 per cubic foot
November to December	\$0.72 per cubic foot	\$0.57 per cubic foot	\$2.25 per cubic foot	\$1.15 per cubic foot



## 2016 Amazon FBA Fees: Reduced Weight Handling

Effective November 1, 2016, Amazon will reduce weight handling fees for all items shipped in November and December. These reduced fees are designed to offset the increase in monthly storage fees for sellers who reduce or sell through inventory.

Weight handling fees return to the amounts listed in the Prior to November 1, 2016 columns beginning January 1, 2017 (as seen below).

	Oversize	
	Prior to Nov. 1, 2016	Effective Nov. 1 - Dec. 31, 2016
Order Handling per Order	\$0.00	No change
Pick & Pack per Item		
Small Oversize	\$4.09	No change
Medium Oversize	\$5.20	No change
Large Oversize	\$8.40	No change
Special Oversize	\$5.20	No change
Weight Handling Based on Outbound Shipping Weight		
Small Oversize	\$2.06 + \$0.39/lb above the first 2lbs	\$1.85 + \$0.35/lb above the first 2lbs
Medium Oversize	\$2.73 + \$0.39/lb above the first 2lbs	\$2.10 + \$0.35/lb above the first 2lbs
Large Oversize	\$63.98 + \$0.80/lb above the first 90lbs	\$56.57 + \$0.76/lb above the first 90lbs
Special Oversize	\$2.73 + \$0.39/lb above the first 2lbs	\$2.10 + \$0.35/lb above the first 2lbs





Beginning January 1, 2017 as seen below:

	Standard Size			
	Prior to Nov. 1, 2016		Effective Nov. 1 - Dec. 31, 2016	
	Media	Non-Media	Media	Non-Media
Order Handling per Order	\$0.00	\$1.00	No change	No change
Pick & Pack* per Item	\$1.06	\$1.06	No change	No change
Weight Handling Based on Outbound Shipping Weight				
Small standard size 1lb or less	\$0.50	\$0.50	\$0.47	\$0.47
Large standard size 1lb or less	\$0.85	\$0.96	\$0.71	\$0.82
Large standard size 1lb to 2lb	\$1.24	\$1.95	\$0.95	\$1.66
Large standard size over 2lb	\$1.24 + \$0.41 / lb above the first 2lb	\$1.95 + \$0.39 / lb above the first 2lb	\$0.95 + \$0.37 / lb above the first 2lb	\$1.66 + \$0.35 / lb above the first 2lb

\* Clothing items incur an additional \$0.40 per item in Pick & Pack fulfillment fees.

## 2016 Amazon FBA Fees: [The Main Takeaways](#)

- ✓ Amazon is breaking up Q4 monthly storage fees into October fees, and Nov—Dec fees.
- ✓ Monthly Storage Fees are going down in October by 25%
- ✓ Monthly Storage Fees are going up in November & December by 3x for Standard items, and 2x for Oversize items.
- ✓ Weight handling fees are going down in November & December by anywhere from 10% to 25% depending on the size, with larger size tiers seeing a larger percentage decrease.

## How Will the 2016 Amazon FBA Fees Impact Sellers?



“Amazon wants to make it cheaper to ship items via FBA to incentivize sellers to use FBA for items that sell & increase their FBA catalog as much as possible.”

“However, as we’ve seen in recent years, Amazon is getting increasingly sensitive to their own capacity constraints and wants to penalize sellers who take up valuable warehouse space with items that aren’t selling (hence the dramatic increase in storage fees during November & December).”

“If an item sells quickly, this will make it cheaper to use FBA, if an item doesn’t sell your per-unit FBA cost will increase significantly.”

- Jeff Coleman, Director of Account Management | CPC Strategy



“Those 3x and 2x fee increases could really add up quickly and eat up a seller’s profits in Q4. This presents challenges to most sellers. Strategies for slow inventory and FBA recommendations for all types will be a very important thing for Q3.”

- Nick Sandberg, Marketplace Program Management Developer | CPC Strategy

## Amazon FBA Box Content Information Requirements

Additionally, effective November 1, 2016, Amazon will require sellers to provide box content information for each box sent to a fulfillment center. This will ensure that inbound shipments are received quickly and accurately.

In September 2016, Amazon will provide additional tools to make it easier to provide box content information about all shipments.



**PRO-TIP:** If a seller’s shipping processes do not support providing this information, they can pay a service fee to have Amazon determine their box contents at the fulfillment center. The service fee will be \$0.10 per unit from January to October and \$0.15 per unit from November to December.



“The operational impact of having to include additional box intent information as of November 1st will materially impact the inbound shipment creation workflow for those Sellers who are not already including this information.

It will also make it more difficult for those Sellers which have their products shipped directly from a manufacturing facility or distribution center where they aren't controlling the packout process. In a larger sense, this is further maturation of Amazon as a marketplace and raises the stakes for accurate and data driven inventory planning.

Those Sellers which can accurately project inventory allocation have the opportunity to enjoy reduced handling fees while those Sellers which continue to inefficiently send inventory into FBA will pay additional storage fees.”

- Pat Petriello, Head of Marketplace Channel Strategy | CPC Strategy

## How to Avoid Long Term Storage Fees

A semi-annual Long-Term Storage Fee will be applied to any units that have been stored in an Amazon fulfillment center for six months or longer.

Units that have been in an Amazon fulfillment center for six to 12 months as of the Inventory Cleanup date will be charged \$11.25 per cubic foot. Units that have been in an Amazon fulfillment center for 12 months as of the Inventory Cleanup date will be charged \$22.50 per cubic foot.



The Long-Term Storage Fee is in addition to the regular Inventory Storage Fee and will not be charged if a removal order has been created to remove or dispose of the units prior to the fee being charged.

Each seller may maintain a single unit of each ASIN in its inventory, which will be exempt from the semi-annual Long-Term Storage Fee.

## Why Does Amazon Charge FBA Long Term Storage Fees?

According to Amazon, inventory that is overstocked or stored indefinitely in their fulfillment centers limits their ability to provide space for fast-selling products customers want. The Long-Term Storage Fee program helps ensure that they can continue to provide high levels of service to all sellers and provide customers with products that they want.

Amazon doesn't anticipate sellers will store merchandise in Amazon fulfillment centers for long periods of time, but in the event this does happen—sellers can suffer greatly at the expense of these high additional costs. There is a cost for long-term storage space, and that cost is not built into their monthly storage cost structure.

There are several ways retailers can improve their strategy to avoid being hit with long term fees including:

- 1 Discover which products are at risk for fees
- 2 Increase sales velocity through pricing strategy
- 3 Request a removal order



## 1. Discover Which Products Are at Risk for FBA Storage Fees

The first step for retailers to avoid extra fees is assessing their FBA inventory to determine which products are at risk for accruing long term fees.

Amazon sellers can access the [Inventory Health report](#) prior to an Inventory Cleanup date to estimate the number of units that are susceptible to long term fees within the fulfillment centers for six months to 12 months or for 12 months or longer.

According to Amazon, these units would be subject to the Long-Term Storage Fee (minus any units that sell before then).



**PRO-TIP:** One unit of each applicable product ASIN will be exempt from the Long-Term Storage Fee if none of your units of that ASIN has been in the fulfillment centers for less than six months.

The Inventory Health report can estimate the amount of inventory units that will be charged the Long-Term Storage Fee during the next Inventory Cleanup (assuming no further sales of your inventory), and will calculate the dollar amount of the potential charge based on the cubic volume of the Units.

When calculating Fees in the Profitability Analysis, sellers should be aware that:

- ✓ FBA fees are not calculated off the price of an item.
- ✓ If sellers are over 30% in feed, they should be increasingly aware of their margins
- ✓ Fee is unit based (this will differ across catalog), so ASIN-level approach is required



“We use 30% as the marker for products to make sure that product is still profitable for you in FBA. If your margin is 80%, then at that 30%—you are still left with 40% and that may work for your business model. It really depends on seller goals.”

- Pat Petriello, Head of Marketplace Channel Strategy | CPC Strategy

You can access the Inventory Health report in Seller Central (sign-in required) by going to *Reports > Fulfillment > Inventory > [Inventory Health](#)* and requesting a download.

## 2. Increase Sales Velocity Through Pricing Strategy

Some sellers might be wondering if it's a good idea to invest the time to reprice and try to sell their products prior to August 15th?



**PRO-TIP:** Adopting technology to automate your pricing velocity strategy can generate higher profits on your inventory and save you tremendous time. Feedvisor is offering a smart velocity pricing solution that can be used to achieve different business goals.

Repricing is really powerful. It has to be the right competitive landscape for it – you might be limited by MAP or by your margins. Assuming you have a handle on all those factors, repricing is definitely a way to increase that velocity.

## 3. Request a Removal Order to Avoid FBA Storage Fees



**PRO-TIP:** Amazon has recently changed it's policy on removal orders. See the following page for more details.



## Inventory Returns

If you file a Removal Order between August 5, 2016, and August 14, 2016, to have units of this inventory returned to you, you will be unable to send in additional units of these ASINs until December 1, 2016. You can continue to sell through your remaining inventory of these ASINs. You are responsible for paying the FBA Removal Fee for return of these units.

The Recommended Removal report provides an interface in a seller's account to more easily identify and remove units that are at risk of being assessed the Long-Term Storage Fee.

This report will auto-calculate on an ASIN-by-ASIN basis the amount of units you need to remove (assuming no further sales of your inventory) to avoid the Long-Term Storage Fee and will pre-populate a removal request for those units if you choose to remove them.

The report only shows units that are at risk of being assessed fees within six weeks of each cleanup date.

**You can access the Recommended Removal report in Seller Central** (sign-in required) by going to: *Reports > Fulfillment > Inventory > Recommended Removal* and requesting a download.

In the event a seller decided to remove their items, the most important thing is submitting the removal order **before** August 15th.

Once that removal order is in your account, Amazon will exclude that inventory from your long term storage fee. They will try to send those orders back to you in bulk. So that inventory can actually take a week to two weeks to get back to you, depending on how much you are requesting.



**PRO-TIP:** So, how can sellers ensure they are not getting overcharged/undercharged for measurement errors?

Amazon laser measures and weighs each item which enters their fulfillment centers. If you feel your items are being charged a rate for a different category than they should be, you can open up a seller support case and request a "bin check" for the ASIN in question.

# The Pros & Cons of FBA



# The Pros & Cons of FBA

The decision of whether or not to fulfill through Amazon should not be made on a whim.

Sellers must evaluate many different factors in their decision making process, since what may be right for one seller may not be the correct way to go for another. Sellers may also decide that some of their products may be suitable for FBA but others are more appropriate to fulfill themselves. The selling points to FBA are many.

## The Pros

### Convenience

FBA relieves the seller of a potentially large headache. Amazon's fulfillment centers store the seller's products and do all the legwork for them. When an order is received, Amazon's employees pick, pack and ship the products, plus they'll deal with all the customer service queries and returns.

### Eligibility

With FBA, a seller's products are eligible for Super Saver Shipping, Amazon Prime and Buy Box Eligible status, which all lead to a higher conversion rate.



## The Amazon Reputation

Many believe that customers are more likely to buy from a seller who has the Amazon name attached to them. This is due to the strong level of trust that the company inspires in them. If something goes wrong, people know that Amazon will take care of it. They also know Amazon has mastered the distribution process and will send the item quickly.

## Sales Performance

There's also the argument that FBA sellers can sell more because they have the Amazon name attached to them. For example, let's say a seller has 10 boxes of coffee and is selling them from home at \$42 + \$8 for shipping. They would have to go to the post office and pay to ship each sale individually, including the materials to put the coffee in.

On the other hand, if they were selling FBA, they could ship all the boxes to Amazon in one go and then list them at \$50 each with free shipping. So the cost to the customer would be the same, but as an FBA seller, they would be making more profit.

## The Cons

### Fees

Using FBA can be extremely costly, particularly for large products. Oftentimes a seller may have the manpower and willpower to be taking care of certain elements themselves, so switching to FBA could hike their costs up.

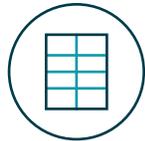
However, as noted earlier, using FBA doesn't necessarily mean that a seller will be expensing more to be able to sell a product on the Amazon Marketplace. FBA fees are in place of a seller's normal operational and fulfillment costs.

## Commingling

When using FBA, Amazon's fulfillment centers will ask that the seller identifies their products using unique product identifiers, which include a:



**UPC or EAN Barcode**



**FBA Label**

This can be printed from your Seller Central Account

Amazon's default FBA label setting is Labeled Inventory. Labeled Inventory requires a FBA label for each product you send (print from Seller Central) and identifies products you send as attributed to your seller account. However, many sellers choose not to do this labeling process mainly because it's a time-costly process. So the alternative is to send units to Amazon as stickerless, commingled inventory.



Commingling inventory is essentially the process of pooling Seller A's units with Seller B's units of the same UPC at an Amazon fulfillment center.



"When you choose to commingle inventory, your products become interchangeable with the same products from other sellers for both order fulfillment and removals."

- Amazon

If a seller chooses not to label their inventory, commingling is a potential con for FBA because fake products from other sellers can enter the mix.

This opens the door to the possibility that a customer purchases a product from you and receives the fake version from another seller—a high risk for products like sunglasses.

Other risks include the product from another seller being damaged or faulty. However, there are some upsides to embracing commingling.

## The “It Depends”

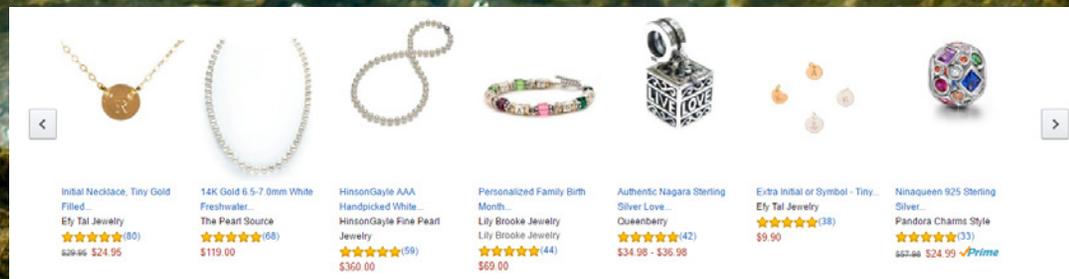
While there are obviously both clear advantages and disadvantages to FBA that may sway a seller in either direction, the discussion is actually a lot less straightforward and the following must be taken into account by each seller considering FBA.

## It Depends What You Sell

Although some of the fees associated with FBA change according to product size and weight, the pick & pack handling fees are fixed. Therefore, if items tend to be relatively small, not too heavy, and sell at higher prices, it makes the FBA fees more manageable.

For example, a \$10 item that is large and heavy will represent a large percentage of your margin, whereas the fees for a small and light item that sells at \$30, will represent a much smaller percentage. For this reason, high ASP (average sale price) is a big consideration for FBA inventory selection.

An example of a small, light, and high ASP product category is Jewelry.



Popular items that sell quickly are also great for FBA. It does not make sense to send something to Amazon that isn't likely to sell and may languish in storage, racking up storage fees. While some sellers dispute this by claiming that low sales rank items are ideal to sell via FBA, since their chances of selling usually go up quite a bit due to their Amazon Prime "teaser," it's a high-risk move that makes a seller vulnerable to very costly storage fees. As a side note, sellers should be aware of the fact that storage fees increase during busy periods like Q4.



## It Depends How Much You Sell

For high-volume sellers, physical storage space could be an issue which FBA would solve. The higher the turnover rate for your inventory, the more storage space Amazon will grant you.

For growing sellers, FBA could also be a useful since their workload would decrease significantly, freeing up their time to focus on growing their business.

## It Depends How Much Manpower You Have

FBA could prove extremely useful to a seller who lacks the manpower to cope with an overabundance of orders. Fulfilling an item oneself involves going to the post office or engaging with a shipping carrier, and with people expecting quick shipping, a seller would need to be ready to fulfill their order within a day or two.

Taking on extra employees would involve managing a fleet of employees, which a seller might not want. It is also sometimes difficult to judge when there will be an influx of orders, and therefore hard to prepare the necessary manpower in advance.

## So Is FBA Worth It?

The answer is that a seller really needs to know their business. They need to have an in depth knowledge of their inventory and invoices and be able to strategically assess which listings it makes sense for.

# Inventory Management



# Inventory Management

## Pros & Cons of Commingled Inventory or Stickered Inventory

Amazon provides sellers with an option to skip the label process by selecting the option of stickerless, commingled inventory.

Commingling inventory is essentially pooling your inventory with the inventory of other sellers at Amazon's fulfillment center.

Amazon packs, ships, and provides customer service for those products just as it does with all FBA orders. Items still need to be properly packaged by sellers for inbound to Amazon's fulfillment centers.

### Commingling Cons

Commingling on Amazon has gotten a considerable amount of flak from both sellers and consumers. Some businesses have noted that fake products can get mixed in, which leads to negative brand perception, negative reviews, and potentially even unwarranted product returns.

Commingling has become synonymous with issues such as fraud on Amazon, but the shipping problems are more a by-product of the way the system is set up.



Commingling integrates products from across Amazon and outside sellers—a system which was designed to, and can benefit Amazon sellers.

In addition to products which may not be the real deal, businesses using Commingling on Amazon face the issues of products which may be:

- ✓ Damaged
- ✓ Different from the advertised UPC
- ✓ Come in damaged or sub-par packaging

## Commingling Pros

Commingled inventory often gets a bad rap, and sellers definitely lose a degree of control when choosing to commingle their inventory. However, there are also benefits and alternatives to using commingled inventory as a third party merchant using (FBA) on Amazon.

Commingling is designed to make shipping easier for retailers using FBA. It is an option for sellers who don't have the time or resources to manage fulfillment themselves, or are shipping from a distant location which affects shipping times.

### **Commingled Orders Reach Customers Faster**

From a logistics standpoint, commingled inventory allows a seller's products to be placed more evenly around Amazon's fulfillment network so that they can reach customers faster.



Since Commingled products are fulfilled by Amazon, sellers can take advantage of Amazon fulfillment centers—which are strategically placed around population centers to ensure quick delivery to customers all over the nation.

If a seller's goods were only in the Phoenix fulfillment center, for example, it's less likely an East Coast customer would receive their product on the same or next day.

### **Reduce Cost and Labor for Labeling and Fulfillment Operations**

Sellers save significant amounts of time and labor investment using commingling by avoiding applying FBA labels to each product they send to Amazon. Imagine you sell 50 products using FBA, even if it only takes you 1 minute to add an FBA label, that's still almost an hour of manual labor prior to shipping.

For resellers using dropshippers/manufacturers which send goods directly to fulfillment centers, not all dropshippers will FBA label for the reseller. This means if you're using a dropshipper you'll need to get your products from them— label and send them to Amazon yourself.

### **Avoid Errors with Labeling**

Choosing commingling also allows a seller to not have to apply FBA labels to the products they are sending to Amazon, as the original UPC barcode will suffice. As a result, a seller can find the process of sending commingled products easier and less prone to receiving errors at an Amazon warehouse. A Seller might consider sending roughly 20% of their catalog into FBA (this will vary based on a number of factors). If this seller sends 29% of their catalog, and the store sells a large number of products—that's a significant number of labels for Amazon. More labels means more margin for error.



## How to Reconcile Amazon Seller Returns

In the event a customer decides to return an item they have purchased, Amazon will notify the seller via e-mail and funds from that sale are taken from the seller's account and held by Amazon awaiting the customer's return of the product.

Typically when customer decides to return an item, Amazon gives them about 45 days to do so. If a customer fails to return the product, Amazon will usually return any withheld funds back to the seller— but not always.

Sometimes those funds being held by Amazon awaiting the customer to return their product are overlooked and not returned to the seller.

At this point, the responsibility falls on the seller to find these discrepancies and submit a request for the reimbursement, but unfortunately reconciling what has or hasn't been returned against what has or hasn't be reimbursed can be a tedious and difficult process.

The same goes for inventory damaged at Amazon warehouses. If you're an Amazon seller relying on the Fulfillment by Amazon (FBA) service, your products are stored with millions of other products from all around the world. If products are damaged, going through the reconciliation and reimbursement process can be overwhelming.

Every seller should be reconciling their accounts and keeping an eye on their reimbursements but if you're currently selling under \$10,000 a month, it's relatively easy to handle refunds on your own, but once you start reaching \$25,000 per month or above—then you're talking about a lot of transaction and it makes sense to automate those processes.

For more on how to automate these services, check out our recent [blog post](#).

Amazon Seller Fulfilled Prime



# Amazon Seller Fulfilled Prime

## What is Amazon Seller Fulfilled Prime?

This year, Amazon announced they will be extending their Prime privileges to merchants who store and ship their own inventory through the Amazon Seller Fulfilled Prime program. This is exciting news for both sellers and consumers invested in Amazon's widely successful free two-day shipping service.

We anticipate sellers who are accepted into this program will experience an increase in sales, typical for Prime eligible products.

The objective of the Amazon Seller Fulfilled Prime program is to provide "Prime" shipping privileges to Amazon sellers that have established their ability to ship merchant-fulfilled orders and meet Amazon's high performance levels (through FBA).

Sellers accepted by the program will be permitted to tag products with the coveted Prime eligible label and ship directly from their own fulfillment centers.

If sellers apply now and continue to meet the requirements, they will be able to launch with Amazon Seller Fulfilled Prime in 2016.

If they meet the program requirements (which we will outline below), they will also be notified via email and receive a webinar invitation to Seller Fulfilled Prime. If a seller does not qualify, they will be notified via email along with guidance on how to make improvements so they can try to reapply for Seller Fulfilled Prime at a later date.



# How Will Amazon Seller Fulfilled Prime Impact Merchants?

## 1. Avoid Split Inventory

In addition to Prime eligibility and access to free two day shipping, one of the other major benefits to the implementation of this program is that it helps sellers avoid having to split up their inventory.

Previously, sellers had to select which items would be shipped to Amazon's Fulfillment Centers while the remaining products were distributed through the seller's website or other marketplaces.

This type of decision making was confusing to sellers—as it can be difficult to determine which products belong in FBA. Now sellers can avoid having to slice and dice their inventory among FBA and other channels (if they choose).

## 2. Easier Return Handling

Unfortunately, when it comes to returns—FBA sellers have encountered a number of problems.

One of the most obvious issues is how to identify which units are linked to which product returns. This has led to an increase in customer fraud within FBA. Now, through Amazon Seller Fulfilled Prime sellers can directly handle returns on Prime purchases—which we anticipate will make it easier for sellers to track and identify product returns.



### 3. Benefits Merchants with Large / Heavy Products

Previously, merchants had to pay a cost to ship their products from their own facility or location to an Amazon fulfillment center. Now, thanks to Seller Fulfilled Prime, merchants no longer have to pay the additional fee and can ship the product directly to their consumers.

This also benefits the customer. Because merchants are saving on the cost of shipping—they are able to provide the product to their customers for a cheaper price (or increase their margins).

### 4. Reduce Cost For Building New Amazon Fulfillment Centers

Amazon itself is likely to benefit from the program as well. By allowing sellers to handle their own shipments, this will reduce the need and costs associated with the build of new fulfillment centers.

It's estimated each FBA building and the surrounding infrastructure can cost up to a billion dollars.

Due to the popularity of Prime, for both the consumers and merchants, Amazon cannot build these centers fast enough to keep up with the demand.

By allowing merchants Prime eligibility through their own infrastructures—this helps to alleviate the pressure for Amazon to expand and invest in their own fulfillment warehouses.

# Final Takeaways

# Final Takeaways

Amazon Fulfillment impacts your margin for individual products, which arguably limits profitability. However, with the increase of total sale volume and exposure, FBA is likely a good investment for your online store. For example you may make less money overall on a particular product such as a phone charger, but you are likely to sell more phone chargers overall for a larger holistic profit.

Remember you're not forced to use the FBA option for all of your products, so take the time to calculate which products are profitable to fulfill with FBA.

FBA may not be an option for your store depending on the competition surrounding your products, what products you sell, where your business is located, your margins, and other related variables.

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"Since it first became available, Sellers have viewed Amazon's FBA program as a competitive advantage and a lever to differentiate their offers from competitors not using the service. As FBA has become a critical component of a successful Amazon strategy, it's also become "table stakes" for professional Sellers and no longer a true way to separate themselves from the competition.

As Amazon tightens restrictions and and modifies their FBA fee structure to ensure only high velocity products are being stored at Amazon FC's, the competitive advantage now lies with those Sellers that can accurately and efficiently allocate the right amount of the right products into FBA. Advanced FBA inventory strategy is no longer an operational consideration but rather a competitive marketing tool no different than advertising or review generation."



**Pat Petriello**  
Head of Marketplace Channel Strategy  
CPC Strategy



With almost 30% of Amazon sellers using FBA for all their products, and over 80% who use it for some of their products—FBA is a key strategic option for sellers who want scale their business in a smart and profitable way.

Through higher product page visibility and access to Amazon Prime customers, FBA sellers have an immediate competitive advantage over other sellers.

But what's right for one seller isn't always the best strategy for another. When deciding if FBA is right strategy for your business, you need take many variables into account. This is even more relevant since Amazon's introduction of Seller Fulfilled Prime, which gives sellers a wider reach to a more lucrative consumer market, and increased Buy Box eligibility.



Ohad Hagai  
VP Marketing  
Feedvisor

What Now?

# Schedule Your Free Seller Central Audit

Our Amazon Evaluation is a scheduled 1-on-1 with you and an Amazon Analyst, taking a look at everything from Sponsored Products performance and campaign structure to FBA allocation strategy.

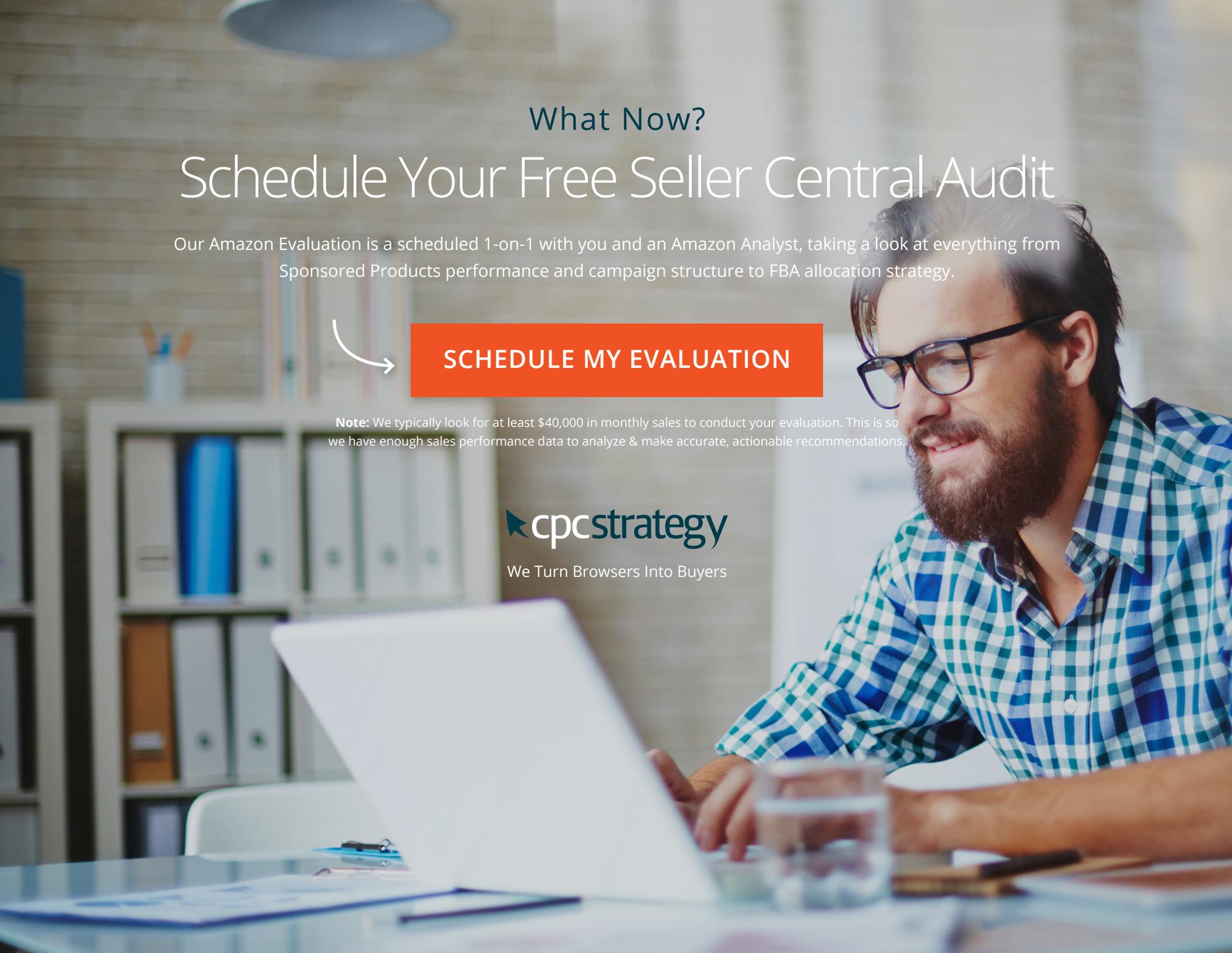


[SCHEDULE MY EVALUATION](#)

**Note:** We typically look for at least \$40,000 in monthly sales to conduct your evaluation. This is so we have enough sales performance data to analyze & make accurate, actionable recommendations.



We Turn Browsers Into Buyers





## MAXIMIZE PROFITS ON YOUR FBA INVENTORY

Feedvisor's award winning algorithmic repricer and revenue intelligence solution is designed to optimize profits according to your specific business goals.

Our solution empowers Amazon sellers to focus on critical FBA activities such as pricing, replenishment and liquidation strategies.

To see how Feedvisor can help you grow your Amazon FBA business, please contact one of our product specialists.

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