

What To Consider Before Using Fulfillment by Amazon

How does FBA work?

1

Select and transfer your products to one of Amazon's warehouses (which will be indicated once you place the request on their systems).

2

Amazon will "sort and inventory" your products on their shelves.

When an order is placed, Amazon's systems will handle the transaction and ship the item to the customer. Amazon will handle all disputes and will reimburse the items if deemed necessary. Exceptions can be made where they may forward a customer complaint to your designated point of contact.

3

The above list seems straightforward and fairly easy, but the complexities start prior to shipping your items and the integrations to their systems.

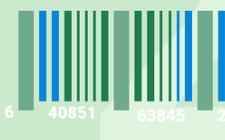
Here are a few pointers to consider prior to committing to FBA.

ACCOUNT TYPE

Decide on the type of FBA account you wish to set up. Options are *Professional* or *Individual*. If you're planning to sell a wide range of products and higher volume, then the professional subscription (fee of \$39.95) is better suited.

CODE COMPLIANCE

Ensure your products have the standard UPC/EAN codes that are accepted by Amazon. If you are unable to comply, you would have to pay Amazon to assign them unique codes, therefore your fees may increase. These are surprises that you may run into when you start placing your transfers to their warehouses.



INVENTORY MANAGEMENT

Inventory and Merchandising must be thought out carefully. Any unsold products left on their shelves may incur additional fees. These fees can increase during high peak season (i.e. October through December). Recommendation is to first get a feel for your products by selling your popular products and allocate low inventory. Do keep in mind that Amazon requires a few days to receive and stock your products, therefore ensure to plan out your shipment cycle to refill low inventory items.

The key point to consider is what to do with unsold inventory. Unsold inventory can be left on Amazon's shelves for long periods of time (monthly fees), or you have the option to send back to your distribution center or request Amazon to discard the products. Constantly keeping an eye on your product performance can provide great insights and potentially prevent you from incurring further fees.

Note: Prime Day, Black Friday and Holiday periods may require an increase in inventory count

ADDITIONAL FEES

Amazon charges a referral fee, which is applied every time you sell a product. It is a percentage of the total sales price and is usually fifteen percent. There are other charges that have to be taken into account. Just as storage fees can fluctuate, product dimensions, weight and type of product can impact your monthly fees thus impacting your profit margins.



SYSTEM INTEGRATION

Keep in mind you also need to integrate your OMS and/or ERP systems to Amazon, otherwise sales feeds from Amazon can get strenuous as it would require manual data entry. We advise you that you first identify the key tasks and try to automate them as much as possible.

INVESTMENT OBJECTIVE

Lastly, calculate the ROI. Take into consideration all the possible fees and the transfer costs (shipping from your supplier or from your warehouse to Amazon). Many of you may choose to overlook ROI and simply use FBA as a form of media placement to increase your product exposure to a larger customer base.

