THE COMPLETE GUIDE TO FULFILLMENT BY AMAZON

How to obtain the TOP from the FBA Infrastructure
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). Many Shippypro.com customers use FBA to manage logistics and shipping of all their products, while using Shippypro’s dashboard to keep under control all the orders received from different channels, so that they can easily communicate to Amazon which product has to be shipped where.
Amazon sellers, FBA and FBM

Amazon has shown to be one of the world largest and more complex marketplaces in the world.
Amazon seller have to compete with millions of other sellers, while managing all the processes connected to selling and shipping.
Amazon offers two solutions: you can choose between FBA and FBM process. Your decision will impact all your online business.

WHAT DO WE MEAN WITH FBA AND FBM?
We started to talk about two solutions, but what do FBA and FBM mean?
FBA means “Fulfillment by Amazon”: Amazon offers to its sellers the possibility of managing their inventory, shipping and customer care.
Sellers using FBA service ship their products to Amazon fulfillment center, where products are stored until a new order arrives. Once received the new order, the product will be packed and shipped directly from Amazon.

FBM means instead “Fulfillment by Merchant”: a completely different situation. In FBM all the inventory, stock and shipping are managed by the seller.
The seller uses his own resources to manage processes, and he is completely responsible of all the phases.
After this short definition of Amazon FBA and FBM, let’s analyze better this two processes.
In four words, FBA works this way: You sell, Amazon ships.
In detail, Fulfillment by Amazon is developed in this way:
The seller directly sends his products to Amazon fulfillment center, products are registered and stored
Amazon manages the inventory and the seller can monitor the movements of his products using a tracking number
When a buyer makes an order, on Amazon.com or from other sources, the product stored in Amazon inventory is packed
In FBA the Amazon staff manages customer care and returns
FBA doesn’t work only for orders made on Amazon.com but also for orders coming from other marketplace or for the seller’s website. Many Shippypro customers use FBA to manage logistics and shipping of all their products, while using Shippypro’s dashboard to keep under control all the orders received from different channels, so that they can easily communicate to Amazon which product has to be shipped.
Amazon keeps the inventory for all selling channels, and it manages the orders in an unique center.
One of the main advantages of being a FBA seller, it is surely that products become Prime products, shown before the others. Entering into this category, we can gain customers and orders received, also because Prime member usually make more orders.
FBA sellers have a higher probability of winning the BUY BOX. Buy Box accounts for 82% of Amazon sales: everybody wants to know how to win the buy box.
Another advantage is that FBA seller’s customers will have free shipping in 48 hours provided by Amazon, and overnight delivery for 3,99$. Thanks to this opportunity many sellers increased their sales by 25%.

Added to these advantages, sellers have nothing to manage in the after sales phase. The only thing to do is to ship their products to Amazon fulfillment center, and to pay a monthly/annual fee to Amazon.

FBA sellers usually obtain higher conversion rate: that’s because their product is considered as if it was sold directly from Amazon. This impression gives a sense of trust to the customer, as Amazon is one of the most reliable trademarks in the world.

Moreover, in case your products are delivered late or some other delivery problems happen, Amazon is fully responsible. Negative feedbacks will not affect the seller reputation. FBA makes the process easier, especially for sellers managing high volumes of sales.

Of course, FBA has not only positive aspects, but even some flaws.

1- In case the sellers choose FBA, he will face additional costs that will affect their final profit. In fact, FBA seller will pay not only the FBA fee but even the shipping costs to the fulfillment center.

2 – Another flaw is that Amazon asks to be paid for every cubic feet of space occupied in the storehouse. This is a problem, especially for the “long-tailed products” which have long storing time.

3- Multichannel can be costful and inventory can be difficult to be traced.

4- Many sellers don’t want to put all their inventory into Amazon’s hands.

5 – Last but not least, the seller’s performances could be affected by problems and mistakes due to external logistics management: late deliveries, damaging, lost items.
COSTS FOR USING FBA

After exploring Pros and Cons of being a FBA seller, let’s see better the costs. Comprehension of FBA fees can help us to understand if FBA could be the right decision for us or not.

Amazon asks for fees basing on the product type: media (e.g. CDs), non-media (e.g. phone cases), oversize items (e.g. furniture), and then zero fee fulfillment ($300+ software).

For our articles, Amazon FBA has these costs:

Orders management
Pick & Pack for every unit ordered
Managing (based on lbs) per unit
Storing per cubic feet per month (fees change in different periods of the year)

Moreover, there are other cases in which Amazon will apply additional fees. For example, in this cases we will have a change in standard prices:

Oversize products have special shipping costs
Items stored in the warehouse for more than six months have additional storing fees
Storing fees are different in different periods of the year: cost per cubic feet will be higher in the period from October to December.

After analyzing FBA, and all the costs connected to FBA, let’s see FBM. If you want to get deeper into FBA, here you can find a good guide!
If you don’t want to use FBA, we will choose the Merchant process, Amazon FBM. Some sellers prefer to maintain the control over all the selling process. Without paying FBA fees they can increase their profit margins. Usually, FBM sellers obtain higher profit margins than FBA sellers. Moreover, being a FBM doesn’t exclude you from entering to Prime products. It will just be more difficult: the sellers will have to avoid late deliveries, provide a perfect customer care, immediate confirmation and shipping of the order and have very good feedbacks. For FBM sellers is very important to reduce shipping costs: while Amazon manages very high volumes obtaining low prices for the fast delivery, FBM will have to compare prices and services of the different couriers, in order to get the best service at the lowest price. Of course, FBM too has some flaws. If we have to manage high volumes it could be difficult to have an adequate process. We will have to guarantee that our processes perform at the top every day, without interruptions. FBM sellers don’t have a “free pass” to Prime: they will have to work a lot to get it, and it is not simple at all. Nothing to see with the Buy Box: the path to access it is even more difficult. We have to succeed in managing customer complaints and delivering without any delay to have the possibility to win the most desired buy box across the internet.
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.
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 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.
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, undescryptive 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.

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.
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.
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).

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

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?

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

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.

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.
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. 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.

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.

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 inbounding 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.

**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.
Shippypro

Shippypro is powering a major shift in retail history. Our mission is to help ecommerce retailers increase their sales and grow their business.

Selling online is hard. Our software makes it easier. We do this by enabling you to run your entire shipping operation from a single platform. This makes your business significantly more streamlined and efficient, saving you huge amounts of time to focus on what’s most important - growing your ecommerce business.

In Shippypro, everything you need to succeed is managed from a single, cloud-based platform. All your orders from all your sales channels are visible in one place. You can ship to customers all over the world with the world’s leading couriers (50+ couriers supported), in an easy and fast way. After the shipping, automated transactional emails are sent to your customer for shipping confirmation, step-to-step delivery tracking, feedback request, reselling campaigns.
The stores we support report -78% of time spent for creating shipping labels, -21% complaints on their customer care services, +35% revenue.

Created by e-commerce experts in 2016, Shippypro is growing +122% every three months, and powers now hundreds of ecommerce businesses all around the world.

To find out how you can start growing your e-commerce by working in a smarter way, visit www.shippypro.com and sign up for the free trial (up to 30 orders per month)