Fulfillment by Amazon
Is FBA right for you?

Positives
- BUY
- PRODUCTS
- CRM

Negatives
- $ BRANDING
As more shoppers make the switch from traditional retail to online shopping, the eCommerce market continues to experience growth, opportunity, and increased competition. Market research shows this growth will not decline anytime soon; by 2017 eMarketer estimates that there will be $440 billion in sales for a compound annual growth rate (CAGR) of 13.8 percent.

To remain competitive in this booming market, many retailers must take advantage of various opportunities to leverage outsourced business solutions such as the use of multiple online marketplaces and third party logistics providers.

Offering products via marketplace platforms such as eBay, Rakuten, etsy, The Grommet, and Amazon can be a highly effective tool for reaching thousands of new customers, accelerating growth and making eCommerce businesses more productive and profitable. However, retailers must ensure their current operations are prepared to handle a large increase in the total volume of shipments.

Optimizing fulfillment with help of a third party logistics company specializing in multichannel retail solutions can be a highly effective tool for accelerating growth, improving productivity, and increasing profitability. Partnering with a company who takes order fulfillment, shipping, and returns off your plate can be time saving and beneficial in many ways.

eCommerce customers not only look for fast, accurate, and free shipping, they now expect it. Partnering with an expert logistics partner can make offering fast and free shipping possible, without detracting from your bottom-line. This can be can be a game-changer for the success of your company.

One such solution for handling multichannel order fulfillment is Fulfillment by Amazon. In this eBook, we’ll review the pros, cons, and alternatives to partnering with Fulfillment by Amazon (FBA).
IS FBA RIGHT FOR YOU?

Positives

Takes Fulfillment, Shipping & Returns Off of Your Plate
- According to the company “Multi-Channel Fulfillment is an optional feature within FBA that provides fulfillment for your orders made from other sales channels.” Amazon FBA puts your products into Amazon’s warehousing, fulfillment, and returns process. Partnering with FBA also takes care of customer service inquiries with regards to order processing and support issues.

Access to Prime Members
- With FBA, your products automatically qualify for Prime shipping and listings. Prime shipping courts buyer members with free, two-day shipping, low cost overnight shipping, and even provides credits to customers in the case of delayed shipping. Such incentives create a major attraction for customers to purchase your product, opposed to a similar product from a competitor, on Amazon.

Opportunity to Win Prominent Product Placements in the Buy Box
- Prime sellers have exclusive access to the right sidebar of the page called the “Buy Box”. The Buy Box is a graphically defined box on a product detail page where customers can begin the purchasing process by adding items to their shopping carts. This is where shoppers can find the “Add to Cart” button. The Buy Box serves up similar or relevant offers within the product listing page, and is a proven vehicle for both upselling and cross selling in an environment where you may compete directly with other sellers offering the same or highly similar products.

Low Cost Shipping
- Due to the extremely high shipping volumes, with FBA, you will have access to much lower shipping rates as opposed to those you will get working directly with carriers. Also worth noting, as a Prime seller, you pay the same seller’s fees, whether your customer ordered via Prime or regular shipping.

Greater Traffic/Increased Sales
- Amazon.com is one of the top 10 sites in the world. Millions of shoppers visit the site each day and many sellers experience a corresponding increase in sales.
IS FBA RIGHT FOR YOU?

Negative

Commingling:
- FBA practices a method called Commingling, which gives sellers the option of using a product’s barcode to identify the item, rather than providing a unique SKU ID. This option allows merchants to save time and money when sending inventory to Amazon, as it eliminates the additional step of product labeling. Amazon will then store any incoming inventory with the same scan-able, barcode in the same storage bin as all other products with matching barcodes, regardless of the seller.

- Commingling can become an issue when another vendor’s inventory is substandard. Consider this example: two sellers—Seller A and Seller B, both sell and fulfill the same pair of Ray Ban’s sunglasses through Amazon. Seller A sends genuine product to Amazon’s order fulfillment warehouse and Seller B sends a knock-off version of the sunglasses, neither of which are labeled with unique SKU ID’s created by the individual seller. Due to the practice of commingling, both inventories are stored together in mixed lots. Suppose that Seller A has just made a sale for a pair of sunglasses through their Amazon storefront, the order is then picked, packed, and shipped with Seller B’s fraudulent sunglasses. Seller A is held liable for this transaction; when the customer finds the sunglasses are knock-offs, Seller A will most likely receive a negative rating and lose out on repeat purchases from the dissatisfied customer.

No Branding
- When using FBA for online orders, there is little customization available to sellers in regards to branding. Everything from the look of your online storefront, to the boxes with a smile, Amazon is the only identifier. Customers have no way of recognizing your store’s unique brand when receiving their shipment, in turn limiting sellers’ ability to build on their marketing efforts.

High Operational Costs Passed On
- While the introduction and use of robots in the order fulfillment & shipping world is exciting and cool, no innovation comes without a price tag. And, in the case of FBA’s robots: a hefty price tag. It is estimated that just to outfit a large warehouse with 1,000 robots, it would cost between $15 million to $20 million (not to mention maintenance costs). Amazon merchants should be aware that the costs of “innovations” will eventually be passed on to them.
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**Inventory Control Issues**
- When you have hundreds, and potentially thousands, of products with Amazon FBA, it’s extremely probable that not all of your inventory will sell. Which means you will most likely have outdated inventory that you are paying fees to store.

  - Cost of storage is a significant downfall of Fulfillment by Amazon. FBA charges you more the longer your inventory sits, including special long-term storage fees for any inventory older than 6 months. If you have a lot of inventory sitting in Amazon’s warehouses, the costs could really add up. This is something to keep in mind -- the more time that the items are sitting in a warehouse, the more your profit margin will shrink.

**High Learning Curve**
- An entity as large as Amazon must maintain strict rules for all sellers, and even more stringent policies for FBA. Many merchants are confused by the convoluted and labor-consuming processes required for preparing goods and inventory for shipments. Many merchants have found the requirements to be overwhelming and the lack of internal support to be discouraging.

**No Customer Relationship**
- You have no way to establish an ongoing communication and relationship with the customers who purchase your products via the Amazon platform. Which means that you may have little opportunity for repeat business or benefitting from a lifetime customer value.

**Unpredictable Algorithms**
- Like any search engine, the Amazon site relies on complex algorithms to provide shoppers with relevant results. However, algorithms are not static, they are constantly changing; one simple change in algorithm could result in your products suddenly appearing lower in search results, and thus having a devastating effect on your sales.
Unfair Competition

- A recent article in Bloomberg detailed how Amazon competes with both merchants and brands for sales, according to the publication, "Amazon is using insights gleaned from its vast Web store to build a private-label juggernaut that now includes more than 3,000 products - from women's blouses and men’s khakis to fire pits and camera tripods. The strategy is a digital twist on one used for years by department stores and big-box chains to edge out middlemen and go direct to consumers - boosting loyalty and profits." Amazon uses data to uncover what shoppers are buying, as well as additional sales opportunities by tracking products shoppers are seeking but can't find.

Complicated Fees

- There are several different charges as part of the FBA fee schedule which include fees for storage, order fulfillment, pick-and-pack, and weight handling. All of these fees will vary depending on the dimensions and weight of your products and can be difficult to calculate on your own.

Restricted Accessibility to Inventory

- There are a multitude of circumstances where you may need to go to the warehouse or fulfillment center where your product is stored to inspect your merchandise. However, Amazon fulfillment centers are generally off limits for sellers. In order to inspect your inventory, you need to have it removed from the warehouse and shipped back to you, or depend on Amazon’s employees to check the product inside the fulfillment center.

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Recently, Amazon introduced Seller Fulfilled Prime (SFP) as an alternative to FBA. The new program, also referred to as “Merchant Fulfilled Prime”, is offered to merchants who meet various strict prerequisites. SFP allows Amazon sellers to take control of order fulfillment, while still receiving all the benefits of a Prime seller.

Eligibility requirements for SFP include the ability and proven track record of meeting Prime expectations for customers, such as 2-day delivery. While not all merchants are eligible for SFP or capable of maintaining Amazon’s strict performance metrics, it is a viable solution for large companies who already have the resources in place (such as their own warehouse) and are simply looking to have products listed as Prime-eligible.

For most companies, SFP may not be the most viable option. Another fulfillment solution is outsourcing to a third party logistics (3PL) company who specializes in multichannel eCommerce fulfillment.

A company who is able to handle orders from multiple selling platforms can integrate into each one of your online marketplaces and take all fulfillment off your plate. Whether a customer orders from your own website, eBay, Rakuten, etsy, The Grommet, or even Amazon, a company like Rakuten Super Logistics can ensure your orders are processed, picked, packed, and shipped to your customer quickly, accurately, and at low-cost.

By outsourcing fulfillment to an experienced 3PL, not only are you taking the hassles of fulfillment off your plate, you are partnering with a provider who has your best interest in mind-- to grow your business. The right partner will provide the tools, resources and support necessary to accelerate growth and take your business to the next level.
Conclusion

Taking advantage of services such as outsourcing order fulfillment and returns can alleviate stress and free up valuable time that can be spent managing and growing your business. And, while there are many exciting services available to internet retailers today, it is important to first weigh the pros and cons to be sure that you’re making the right decision for your company.

One wrong decision could result in major consequences to your brand and company’s revenues. Partnering with a 3PL who not only solves your order fulfillment pain points, but also complements other aspects of your business can accelerate the growth of your eCommerce business.

Find out if it’s time to outsource your fulfillment and shipping operations with a free fulfillment analysis of your current operations. Contact Rakuten Super Logistics to learn how you can ship orders from multiple shopping platforms faster, for less, and with guaranteed order accuracy.

Download our ebook “16 Questions You Absolutely Must Ask to Choose the Right Fulfillment Company” to guide you to finding the right fulfillment partner for your company.
Rakuten Super Logistics (RSL) is a dedicated and enthusiastic group of eCommerce professionals committed to providing the best fulfillment solutions to optimize operations and accelerate growth of online businesses, since 2001.

RSL (formerly Webgistix) is part of Rakuten Group—one of the world’s leading Internet service companies. With the mission of empowering people and society through innovation and entrepreneurship, Rakuten continues to expand its ecosystem of eCommerce services. The network of Rakuten companies includes consumer- and business-focused services including e-commerce, eBooks & eReading, travel, banking, securities, credit card, e-money, portal and media, online marketing and professional sport. The Rakuten Ecosystem aims to provide members a one-stop-shop network of trusted, premium services.

Through ownership and operation of a strategic nationwide network of fulfillment centers, RSL delivers on customer expectations and accelerates growth of online retailers. Our SmartSuite of eCommerce services includes inventory freight, cloud-based order management and inventory tracking, advanced analytic technology to optimize shipping, and responsive, personalized client support.

RSL works with clients to ensure that their goods arrive at their destination on time and in perfect condition to deliver on a positive customer experience and promote customer retention. We empower our employees to ensure they are in a position to deliver an exceptional client experience and have retained our customers by providing excellent service and an unwavering commitment to helping them achieve their goals.
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