

Forum:[Hack Forums](#)

Thread: [Amazon FBA vs. Shopify Dropshipping - Comparison Thread](#)

mvmt - August 5, 2018, 5:39 pm

I see a lot of questions on this forum from people wanting to get into E-Commerce, specifically Shopify dropshipping. There's hardly any information on here about Amazon FBA so I thought I would make a comparison thread to help users decide which path is best for them.

Shopify Dropshipping

Dropshipping has become widely popular over the last few years and it seems like just about every entrepreneur will end up trying it or consider trying it at some point in their life. For those that are unaware of how it works, you set up an E-Commerce store using Shopify and find various products to sell from sites such as AliExpress. Instead of actually ordering a mass amount of inventory and shipping yourself, you simply mark up the price of the product and each time you get a sale, you order from the supplier directly to the customer and pocket the profits.

ProsVery low startup cost / barriers of entry. Shopify is \$29 / month, you can get free themes or paid themes as low as ~\$20, ad budgets can start low and slowly scale into them

Easy to test several products

Don't have to hold inventory or worry about shipping

ConsNot direct-to-consumer. This means you aren't selling on a platform where they are already customers waiting to buy products. With Shopify, you simply have a website that is 100% up to you to put into the eyes of customers through advertising

Requires lots of optimization: Facebook ads, site optimization, monitoring analytics, etc. You must have the knowledge to know what to look for and when/how is best to change things

Incredibly competitive, possibly saturated. Since the barriers of entry are very low with Shopify dropshipping, there are going to be tons of people who are also looking to enter the market. Without lots of previous experience, you most likely won't have immediate success and it will require lots of trial and error

Very low profit margins. Since you are not ordering in bulk or manufacturing the product yourself, you are paying a higher unit cost which makes profit margins lower. This means in order to make a significant profit, your sales volume will need to be much higher

Risk of backorders. You are relying on someone else's inventory and are only ordering 1 item at a time, which means there is no guarantee that the supplier/manufacturer will have stock when you need it.

Overall, Shopify dropshipping can still be a very profitable business model if you know what you are doing. It is going to take a lot of trial and error to have a successful store, along with a lot of creative thinking and marketing knowledge to get your store discovered.

Amazon FBA (Fulfillment by Amazon)

Amazon is one of, if not the, largest marketplaces in the world and is still rapidly growing to this day. They are gradually expanding internationally, making their platform accessible to just about everyone worldwide. For those who are unaware of how Amazon FBA works, you order inventory from a supplier/manufacturer directly to Amazon's warehouses where they package and store everything for you. Your product is then listed on Amazon's website for everyone to see and anytime you get an order, Amazon will automatically ship the item to the customer and they will even handle all customer service for you. Of course this isn't done for free, you pay Amazon fees for inventory storage and fulfillment fees, but it's still an incredible service nonetheless.

Pros Direct-to-consumer. Selling on Amazon doesn't require you to market your own website, you are selling on a platform that already has millions of customers actively using it.

90% autopilot. You do not have to manage your inventory, manage orders, ship out items for each order you get, manage customer service, etc. because Amazon handles all of this for you. You can focus on scaling your store more by adding more products

High profit margins. Since you are ordering inventory directly from a supplier/manufacturer, your profit margins are much higher than they would be with dropshipping. You are getting bulk prices which are heavily discounted compared to buying 1 at a time

Priority over other Amazon sellers. Since you are utilizing Amazon's FBA service, you automatically have priority over other sellers who are fulfilling their products themselves because Amazon makes more profit off each sale you get. This means you'll get priority on search ranking, buy boxes, etc.

Ability for multi-channel fulfillment. This means you can not only sell your products on Amazon, but also on your own website or other marketplaces while still utilizing their FBA service. This is an incredible opportunity for people looking to scale their business

International capabilities. Since Amazon is expanding their platform to other countries, each supported country is another market you can access by listing your products for sale in that specific market. Another great opportunity for people looking to scale their business

Cons Higher barriers of entry. Since you do have to order inventory, there are higher startup costs for manufacturing + shipping

Requires time to do product research. Compared to Shopify dropshipping, you'll have to spend several hours looking for a solid product to sell that is proven to sell. While this is made a lot easier with online software, you still have to be confident that your product is going to do well before ordering inventory

Fulfillment fees. Amazon doesn't provide all of these services for free, you pay fees for the storage of your products as well as the fulfillment of your products and this eats into your profit margin.

Amazon FBA is still a fairly new service and is currently only available in 3 different marketplaces: USA, Canada, and Mexico. They are rapidly expanding their FBA marketplaces into more countries, however, sellers from just about any country can sell on any of these 3 marketplaces that they choose.

Putting all this information together, I hope it makes it easier for you to decide which path you'd like to take. In my personal opinion, after experiencing both Amazon FBA and Shopify dropshipping, I

like Amazon FBA much better due to the "big risk = big reward" factor. It does cost more money upfront, however with the right knowledge its fairly easy to know whether or not your product is going to sell. With Shopify, you have to throw products on your store and test them with a small ad budget, if it doesn't work then you move on. Shopify is a lot more trial and error which isn't my favorite, but it just depends on personal preference. If I missed anything, please let me know and I'll be glad to add it. I tried to be as un-biased as possible when writing this up.

The-Fluffy-Kitty - August 5, 2018, 6:03 pm

Good read. I haven't really heard much about the Amazon FBA method so it was cool to see the comparison in a pros and cons fashion.

I've dabbled with Shopify doing a print on demand branding venture (not great margins.) And I've done dropshipping on eBay in the past with pretty good markups. I might give Amazon FBA a test once I have more success with my current venture.

Cheers! ?

doctord - August 6, 2018, 5:01 am

good read, thanks for this

iNuke - August 6, 2018, 5:04 am

Thank you for the read, it helps a lot!

mvmt - August 6, 2018, 2:29 pm

(Aug 5, 2018 10:51 PM)James! Wrote: [\[CITE\]](#) Just what I was looking for, good article! What can happen if your product is just sitting on Amazon's shelf for months to years, will they charge you, return it or just leave it?

They will continue charging you for as long as your product listing is still live for sale - otherwise they'll just dispose of it.

SIM-3903705 - August 7, 2018, 4:36 am

Thank you very much for this thread! I was a bit unaware of Amazon FBA to be honest.

I need to get this straight though.

You buy from a supplier - gets shipped to an Amazon warehouse - Amazon handles everything for you, even putting up your product (?)

Comprendé?

Great thread nonetheless.

SIM-3100374 - August 7, 2018, 5:55 am

(Aug 7, 2018 04:36 AM)mr_larsen Wrote: [\[CITE\]](#) Thank you very much for this thread! I was a bit unaware of Amazon FBA to be honest.

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You have to create your listing of course.

SIM-3903705 - August 7, 2018, 6:31 am

(Aug 7, 2018 05:55 AM)JJLPopping2020 Wrote: [\[CITE\]](#) You have to create your listing of course. So you create your listing with xxx given product - then Amazon receives the product at their

Warehouse and handles pretty much the rest for you? Of course some administration and management needs to be taken care of, but sounds too simple for me.

Dark Star - August 7, 2018, 6:38 am

Amazon is better I think because you can directly sell in ebay, and you are paying only for the advertisement when you manage to make a sell, what better than this?

mvmt - August 7, 2018, 9:53 am

(Aug 7, 2018 06:31 AM)mr_larsen Wrote: [\[CITE\]](#) So you create your listing with xxx given product - then Amazon receives the product at their Warehouse and handles pretty much the rest for you? Of course some administration and management needs to be taken care of, but sounds too simple for me.

Pretty much, but you also have to manage restocking the inventory and running PPC campaigns to increase sales. There's some other smaller things you have to do but that's the general gist of it

SIM-3100374 - August 7, 2018, 1:15 pm

(Aug 7, 2018 06:31 AM)mr_larsen Wrote: [\[CITE\]](#) So you create your listing with xxx given product - then Amazon receives the product at their Warehouse and handles pretty much the rest for you? Of course some administration and management needs to be taken care of, but sounds too simple for me.

It's simple however you end up paying a total of about 33% of your profits to Amazon.

However, I think this is worth it because Amazon fba service is a PRIVILEGE you pay for IMO.

OP, I have a question however!

Do you reckon a \$2000 dollar investment would be enough for this business model? My item price range would be reaching a \$15-\$25 dollar price and all would be ordered in BULK from asian sites such as AliExpress.

Also, when packaging, let's say you order 100 items from AliExpress and they all come in a big box. You sell every item individually or in a 2-4pack. Do they package every single sale you make into another box and ship it to the customer, or do you have to send it to them properly packaged?

I ask this because I cannot handle my inventory as I don't reside in the US.

Would be nice to hear back from you, cheers.

mvmt - August 7, 2018, 9:54 pm

(Aug 7, 2018 01:15 PM)JJLPopping2020 Wrote: [\[CITE\]](#) It's simple however you end up paying a total of about 33% of your profits to Amazon.

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\$2,000 is more than enough for the starting budget. You can either send them properly packaged or have them do it for you but that will cost more \$\$ from AMZ. Your supplier should package everything properly for you

Minus9 - August 7, 2018, 11:00 pm

(Aug 7, 2018 01:15 PM)JJLPopping2020 Wrote: [\[CITE\]](#) It's simple however you end up paying a total

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Don't buy from Aliexpress. They're dropshippers/manufacturers selling at sale price. Aliexpress is B2C. Go to Alibaba for B2B.

Great comparison, by the way!

mvmt - August 9, 2018, 9:32 am

(Aug 7, 2018 11:00 PM)exhibitionist Wrote: [\[CITE\]](#) Don't buy from Aliexpress. They're dropshippers/manufacturers selling at sale price. Aliexpress is B2C. Go to Alibaba for B2B.

Great comparison, by the way!
This.

Alibaba, DHGate, there are a few others as well. Definitely don't use AliExpress.

merodkha - August 10, 2018, 10:44 am

I like your article, but isn't keep paying fees for amazing even tho you are not selling is a huge con that you did not focus on it well! Every day your items are sitting there in their warehouse is an extra fee.

mvmt - August 18, 2018, 7:56 pm

(Aug 10, 2018 10:44 AM)merodkha Wrote: [\[CITE\]](#) I like your article, but isn't keep paying fees for amazing even tho you are not selling is a huge con that you did not focus on it well! Every day your items are sitting there in their warehouse is an extra fee.

I mentioned that you must pay for storage and the other fees Amazon charges as well, it isn't a "huge" con because the fees aren't really that significant compared to the revenue you'll be making.

mvmt - August 25, 2018, 10:19 am

Keeping this thread alive for those who might be interested, if anyone needs more information I'll be glad to add it to the thread.

mvmt - September 11, 2018, 3:01 pm

Bringing this thread back to life, if anyone would like to speak with me personally about these 2 business models, feel free to shoot me a PM :)

fused2explode - September 11, 2018, 4:25 pm

(Sep 11, 2018 03:01 PM)mvmt Wrote: [\[CITE\]](#) Bringing this thread back to life, if anyone would like to speak with me personally about these 2 business models, feel free to shoot me a PM :)

This is great stuff man. I'll definitely be checking into the logistics when I'm home.

Minus9 - September 12, 2018, 5:06 am

Amazon FBA is by far the best business model in terms of creating a long-term and sustainable business with constant growth. I'd choose that any day over dropshipping. Dropshipping is very short-term.

If you're serious about creating your OWN brand and business, you should only really look into Amazon. There is a HF live group dedicated to this where everyone's able to get help and everyone's on their own journey. We have people making everywhere from \$8000/monthly up to \$300,000 in that group.

<https://hackforums.net/showthread.php?tid=5879434>

krngosu - September 18, 2018, 4:18 am

Can you send me a pm? I'd like to learn some more stuff, also for the Amazon FBA because there is no advertisement needed, is it easier to even sell saturated items?

mvmt - September 21, 2018, 12:36 pm

Keeping this thread alive for those who might find it helpful.

mvmt - October 7, 2018, 11:13 am

Bringing this thread back to life :(

blackhat7 - October 9, 2018, 8:13 am

Thanks for sharing this bro

Bubbanubie - October 16, 2018, 3:13 pm

FNG here. I would PM but I don't have the permissions yet to do so. Great read, I come from a background in B2B and can definitely say Amazon FBA can be a great revenue channel. I've personally seen a multi million dollar company almost depend on FBA sales.

I've been curious about drop shipping as a hobby/secondary income and have a strong background in sales (dabbled in basic online marketing).

Having dealt with Chinese manufacturers in the past I know the quality isn't there on most if not all products. That seems to be the biggest hurdle for me. But I digress...

mvmt - October 29, 2018, 4:04 pm

(Oct 16, 2018 03:13 PM)Bubbanubie Wrote: [\[CITE\]](#) FNG here. I would PM but I don't have the permissions yet to do so. Great read, I come from a background in B2B and can definitely say Amazon FBA can be a great revenue channel. I've personally seen a multi million dollar company almost depend on FBA sales.

I've been curious about drop shipping as a hobby/secondary income and have a strong background in sales (dabbled in basic online marketing).

Having dealt with Chinese manufacturers in the past I know the quality isn't there on most if not all products. That seems to be the biggest hurdle for me. But I digress...

Finding quality products is merely a matter of ordering samples from several different manufacturers and testing their quality. Sometimes it can be hard to find quality products, but I assure you, they exist :D

mvmt - November 14, 2018, 7:34 pm

Keeping this thread alive.

Dan - November 14, 2018, 7:42 pm

(Nov 14, 2018 08:34 PM)mvmmt Wrote: [\[CITE\]](#) Keeping this thread alive.

Nice thread buddy. I'm a pretty big Amazon seller and have really enjoyed the growth it has allowed us. Amazon is now almost half of our annual sales and growing!

Fish - November 14, 2018, 7:48 pm

This was a great read and I'm posting to come back later with a few questions. Thanks.

Mr Professor - November 14, 2018, 11:20 pm

I would never do FBA.

You can get kicked anytime from Amazon. I know a seller who was pulling in 6 figures/month and then his account got banned.

Worst part is, his business stopped overnight. And he didnt had access to his customer's emails or anything.

In shopify, you OWN your customer's emails and data. So, you always have access to the backend unlike amazon.

mvmmt - November 15, 2018, 7:25 am

(Nov 15, 2018 12:20 AM)Mr Professor Wrote: [\[CITE\]](#) I would never do FBA.

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Worst part is, his business stopped overnight. And he didnt had access to his customer's emails or anything.

In shopify, you OWN your customer's emails and data. So, you always have access to the backend unlike amazon.

That's a pretty ridiculous reason to not sell on Amazon. You can get banned from any platform, simply don't do anything to put your company in jeopardy.

Mr Professor - November 15, 2018, 7:49 am

(Nov 15, 2018 08:25 AM)mvmmt Wrote: [\[CITE\]](#) That's a pretty ridiculous reason to not sell on Amazon. You can get banned from any platform, simply don't do anything to put your company in jeopardy. If you own the website, you cant get banned.

I

mvmmt - November 15, 2018, 8:27 am

(Nov 15, 2018 08:49 AM)Mr Professor Wrote: [\[CITE\]](#) If you own the website, you cant get banned.

I

Your argument isn't very valid, if you're doing something that puts you at risk for getting banned you wouldn't be welcomed on Amazon/eBay/Shopify regardless. That's like people who complain about PayPal limiting their account after they've broken their TOS lol

Mr Professor - November 15, 2018, 9:28 am

(Nov 15, 2018 09:27 AM)mvmmt Wrote: [\[CITE\]](#) Your argument isn't very valid, if you're doing something that puts you at risk for getting banned you wouldn't be welcomed on Amazon/eBay/Shopify regardless. That's like people who complain about PayPal limiting their

account after they've broken their TOS lol

I agree that you won't get banned if you don't break the TOS.

But, the TOS also says "we have the rights to fuck you over if we feel like"

Dan. - November 15, 2018, 4:15 pm

(Nov 15, 2018 12:20 AM)Mr Professor Wrote: [\[CITE\]](#) I would never do FBA.

You can get kicked anytime from Amazon. I know a seller who was pulling in 6 figures/month and then his account got banned.

Worst part is, his business stopped overnight. And he didn't have access to his customer's emails or anything.

In Shopify, you OWN your customer's emails and data. So, you always have access to the backend unlike Amazon.

It can and does happen, for fair and unfair reasons. It's like being in one of those cash blower machines and deciding to not grab the money because at some point the fans could shut off and you wouldn't be able to win anymore.

If you don't sell on Amazon along with your other sales channels you are leaving money on the table for no reason.

HeraldLawJr - November 15, 2018, 4:21 pm

I am thinking about getting into dropshipping thanks for the read!

mvmt - November 16, 2018, 2:30 pm

(Nov 15, 2018 05:21 PM)HeraldLawJr Wrote: [\[CITE\]](#) I am thinking about getting into dropshipping thanks for the read!

No problem, glad you enjoyed it!

mvmt - November 19, 2018, 7:40 pm

Would anyone be interested in a fully separate thread outlining Amazon FBA and how the business model works in-depth? Once again, there's plenty of info about Shopify on HF but not much about Amazon FBA.

nashplanet - November 19, 2018, 8:23 pm

(Nov 19, 2018 08:40 PM)mvmt Wrote: [\[CITE\]](#) Would anyone be interested in a fully separate thread outlining Amazon FBA and how the business model works in-depth? Once again, there's plenty of info about Shopify on HF but not much about Amazon FBA.

great thread, very interesting hearing everyone's point of view. A separate thread would be great to learn more about Amazon FBA, there's enough online for Shopify like you said.

Mr Professor - November 19, 2018, 11:20 pm

(Nov 19, 2018 08:40 PM)mvmt Wrote: [\[CITE\]](#) Would anyone be interested in a fully separate thread outlining Amazon FBA and how the business model works in-depth? Once again, there's plenty of info about Shopify on HF but not much about Amazon FBA.

Yeah why not promote your "mentorship", Imao

mvmt - November 20, 2018, 7:42 am

(Nov 20, 2018 12:20 AM)Mr Professor Wrote: [\[CITE\]](#) Yeah why not promote your "mentorship", Imao Says the dude who started a bragging rights thread lol

was waiting on some backfire from u

Dan12345 - *March 28, 2020, 10:20 am*

I would like to get in if possible thanks

omy11 - *March 28, 2020, 10:30 pm*

I've been doing research on FBA and thanks to this i honestly feel like its better than shopify dropshipping.

Thank you!