Forum:Hack Forums

Thread: Fulfillment by Amazon - Better Business Model than Shopify?

mvmt - *November 21, 2018, 1:22 pm*

Amazon FBA (Fulfillment by Amazon)
A better business model than Shopify dropshipping?
By mvmt

Introduction
Amazon is currently standing at the largest online retailer in the world and by the end of this year, Amazon alone will be responsible for over 50% of the entire e-commerce market in the United States. The craziest part is that they are not even close to being done growing yet. Within the past few years, Amazon has acquired several major companies such as Whole Foods, Ring, Twitch, and dozens more. With the infrastructure they have built and are still building, Amazon is very quickly taking over just about every industry they can get their hands on.

What is Amazon FBA?
Amazon FBA (Fulfillment by Amazon) is a service that was opened back in 2006, allowing small business owners to utilize Amazon's order fulfillment and customer service infrastructure. Today, it has evolved into one of the fastest growing business models for small businesses, entrepreneurs, and e-commerce businesses. Amazon FBA allows you to ship your products directly to Amazon's own fulfillment centers placed throughout the country and have your products listed for sale on Amazon for anyone to buy. When a customer purchases your item, Amazon will automatically pack and ship your item directly to your customer. Since you are utilizing Amazon's fulfillment centers, your item will be a "Prime" item which means free 2-day shipping anywhere in the US. Not only do they handle your inventory management, Amazon will also handle all customer service for you.

Now I'm sure you are asking, how much does all this cost? While there are no upfront costs other than a Professional seller account ($39.99 per month), there are some fees that come along with selling on Amazon. Each sale is subject to: referral fees (% of the sale, usually 10-15% depending on category), fulfillment fee (based on weight), and monthly storage fees (based on size). While it may seem like a lot, the fees you incur are well worth the benefits and exposure your business is getting. For an in-depth look at Amazon's fee structure, click here.

What makes Amazon better than other e-commerce business models?
In my opinion (based on personal experience), Amazon FBA is a much better business model than other popular e-comm models like Shopify/eBay dropshipping, affiliate marketing, etc. Below are the main reasons I feel this way based on my experience.Amazon is direct-to-consumer.
What I mean by this is that selling on Amazon does not require you to market your products the same way that having your own Shopify website would. Amazon is already the largest e-comm platform in the world with hundreds of millions of users actively searching for products to buy - meaning your product is already exposed to tons of people just by being listed for sale on Amazon. When you're selling on Shopify for example, no one is going to ever see your product unless you are doing some form of marketing. This means that you are much more inclined to having organic sales with a smaller budget because the platform you are selling on already has consistent traffic.

Selling on Amazon is mostly autopilot.
Before I go further, I do want to make it clear that selling on Amazon is not easy and will not make you rich in just a few months. It requires a lot of research and planning before your product even hits

the market. However once sales are live, there is not much work that goes into it because Amazon is handling all your inventory and customer service. The main thing you focus on throughout the week is monitoring inventory count and managing your ads, which in total does not account for a ton of time.

More consistent earnings.
Earnings are a lot more consistent on Amazon compared to other platforms because of their unique ranking algorithm. Similar to search engines, your product can be ranked for particular keywords or phrases. Your ranking is built upon several factors: impressions, conversions, listing quality, traffic/sales consistency, etc. The higher your ranking, the more consistent flow of traffic you will have to your listing which means a more consistent revenue stream. Selling on platforms like Shopify, for example, you likely aren't getting any traffic to your website at all unless you are running adds, have incredible SEO, or have built a brand with a large following. Just like eBay, Amazon already has a massive user-base that are actively searching for products to buy.

Larger/easier scaling opportunities.
Having a product/brand that already has consistent sales on Amazon sets you up for massive scaling opportunities in other retail markets. Granted, the same could be said if you have a Shopify brand for example, however using the FBA infrastructure makes this process very easy to start. Amazon FBA offers what is called "multi-channel fulfillment," which essentially means you can use the FBA services on your own website or through other online retailers like Walmart for example, or even other countries Amazon offers their products to. If you aren't sure what I mean by this, you are still storing your products at Amazon's fulfillment centers and having them manage your inventory and shipments. But your products are also listed for sale on your own website or other retailer's websites, and anytime you get a sale Amazon will ship to the customer. Everything is connected seamlessly, making it extremely easy to sell through several different channels all through the same platform.

Is Amazon FBA for established companies or can anyone sell?
This is a fairly common assumption people make when they are first made aware of being able to sell on Amazon. They assume that they must have some large retail brand or go through an extensive approval process in order to sell on Amazon, however this is far from the truth. Amazon makes it pretty easy for just about anyone to sell on Amazon. All you need are products to sell and to live in one of the countries supported by Amazon.

Miscellaneous resources and information
Fulfillment by Amazon homepage
Fulfillment by Amazon Revenue Calculator

If you have questions on how to get started selling through Amazon FBA, feel free to shoot me a PM. I'd love to help.

If you have any suggestions as to what else I can add to this thread to make it more informative, leave a post and I'll be glad to make room for it. I want to cover as much as I can about the business model.

Meow - *November 21, 2018, 1:25 pm*
This is very well written an in-depth. Thanks for writing this Mvmt!

B?ker - *November 21, 2018, 1:26 pm*
MVMT knows his shit with FBA, This thread is a prime image of his knowledge of wealth. Booked marked this for when I plan on moving into the FBA realm over Shopify.

THE NORTH FACE - *November 21, 2018, 1:32 pm*
A great read for anyone thinking about getting into selling on Amazon?

Dan. - *November 21, 2018, 2:43 pm*
Quality post! Wholeheartedly agree with the subject as well.. Dropshipping is fine on Shopify/ect, but there's no reason not to do both.

mvmt - *November 22, 2018, 7:24 am*
I appreciate the reviews guys <3

mvmt - *November 23, 2018, 4:15 pm*
If anyone has suggestions on how to improve this thread, I'm open to all opinions.

Junior. - *November 23, 2018, 6:26 pm*
Thank you very much for this information I was in search for it.

mvmt - *November 24, 2018, 12:06 pm*
(Nov 23, 2018 07:26 PM)Junior. Wrote: *[CITE]* Thank you very much for this information I was in search for it.
Glad you found it helpful man :)

Royac - *November 25, 2018, 11:29 pm*
Great post man!
Amazon is the way to start!

mvmt - *November 29, 2018, 10:19 am*
(Nov 26, 2018 12:29 AM)Royac Wrote: *[CITE]* Great post man!
Amazon is the way to start!
Thanks man I appreciate it!

Zoomers - *November 29, 2018, 7:32 pm*
Thank you for this detailed post. Is it possible to dropship items ?

mvmt - *November 29, 2018, 7:44 pm*
(Nov 29, 2018 08:32 PM)wrathog Wrote: *[CITE]* Thank you for this detailed post. Is it possible to dropship items ?
Yes it is possible to dropship, however you obviously won't get the benefits of selling through FBA since you aren't holding inventory.

mvmt - *December 4, 2018, 9:27 am*
Keeping this thread alive for those who might find it interesting.

mvmt - *December 8, 2018, 9:49 am*
If anyone has suggestions on how I can improve this thread, feel free to let me know!