

**HOW TO SELL ON
AMAZON WITHOUT
HOLDING ANY STOCK**



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Introduction

Isn't it every retailer's dream to be able to sell products without holding stock in a warehouse?

Buying from cheaper sources, stocking them at fulfillment centers and selling them for a price high enough to make the model profitable- this sales concept has existed for a while now.

Tracy Smith, founder of entrepreneurgirl.net and [creator of YouTube videos](#) for small businesses has been implementing retail arbitrage with physical stores like Walmart and Goodwill. The reason she prefers chain stores is so she can order the same products in bulk and achieve geographical distribution.

With the advent of online retail, arbitrage takes on a very new meaning. From stocking to shipping, delivery and returns management, fulfillment companies can do it for you. From this resource, you'll learn how to leverage retail arbitrage to make greater profits, hopefully with lesser work. More specifically, you'll learn about:

- Why it makes sense to make use of a fulfillment center as opposed to leasing your own warehouse space
- How Amazon is changing the arbitrage game by being a marketplace too.
- Pricing strategies that position you to take advantage of this scenario- pricing just right so you make enough to cover fees and commission
- Why low-cost high-value products are your best bet.
- The rules you need to follow to win at this game.
- How you can minimize your risk and maximize profits.
- How to keep track of your orders, returns and replacements when all of your stock is at a third-party warehouse
- How you can fulfill orders from other channels through FBA, and the fee you'd incur in this case.



For some small and medium sellers, the cost of leasing out warehouse space can be prohibitively high, thus eating into their profits and driving them out of business. Not having to own any warehouse space is a dream scenario for every product retailer- and Fulfillment By Amazon (FBA) makes this dream come true.

What is FBA? What conditions would you have to meet to sell in this model? What benefits does FBA have for you? Is it wise to let someone else handle logistics?

This guide will answer all of these questions, and more. In each chapter, you'll have checklists to help keep you on track and make the process of signing up with FBA easier.

CHAPTER 1

What FBA is, and Why It Works

When you choose to let Amazon fulfill your orders, the greatest benefit you derive is that you won't have to worry about everything that happens between you sending your inventory to Amazon and potential returns from the customer. Steps that go in between these two, such as processing received orders, packaging, shipping, and delivery are all taken care of by Amazon. Easy to see why this is beneficial?

Fulfillment companies have been around for a while now- retailers leverage the company's warehouse space and shipping, while fulfillment companies charge a fee from retailers while also making use of discounts on bulk shipping. FBA is different ever so slightly- Amazon being a marketplace, they have an active interest in seeing that the products on their site are selling well. That you don't have to go in search of your customers is an added advantage.

The benefits of using FBA are threefold:

- Consider scenario 1 where you're a regular seller on Amazon, and scenario 2 where you're an FBA seller. Most FBA products are eligible for super saver shipping, as well as Amazon Prime. So customers who need a product immediately would always choose FBA over a regular seller. While a scenario 1 seller has to add shipping to his product pricing, a scenario 2 seller can, in spite of Amazon's fee, raise the price to match the competition and thus get a higher payout.



Save on Shipping



Sell 24 x 7

50%

Users prefer FBA

- Products that are fulfilled by Amazon are available for purchase and fulfillment 24 hours a day, all days a week. Once you send your products to Amazon's warehouse, you have nothing else to do. We're talking less work and yet, more visibility.

- About 50% of all Amazon customers prefer FBA- they know Amazon is handling their product and that it will arrive faster. What's more, the same customers are even willing to pay more to have the same item shipped by Amazon than by a third-party seller.

So even if you're a small retailer, you can start selling on Amazon without having to worry about several aspects of online sales. One aspect to keep in mind is the product quality. Whoever is your product's manufacturer, you cannot just receive the consignment from them and send it to Amazon as is. You'd still have to run your own Quality Control to ensure that all the products you send are in sellable condition- this reduces your chances of getting a return.

How do you stock up an inventory you cannot see? Inventory management is always a tricky issue for most retailers, and even more so when every bit of extra warehouse space you use means more fees. On the one hand, if you run out of inventory, your seller rating falls and on the other, if you stock too much, your money is held up in inventory. If you're selling multiple products through FBA and each of them has a different procurement time, be sure to keep an eye on sales and replenishment independently for each product. Daunting perhaps, but very effective.

Here are some things to think of if you're planning to become an FBA seller:

- Whether the cost of warehouse space and shipping is indeed prohibitive enough for you to consider FBA.
- The fact that Amazon being a marketplace, you wouldn't have to worry about finding buyers.
- When given a choice between third-party seller products and FBA products, Amazon customers prefer FBA and are willing to pay a higher fee for it.
- When selling multiple products through FBA, obtained from several manufacturers, you need to consider each product's inventory separately.
- If products stay in an Amazon warehouse for longer than a certain period, they may incur additional fees.

CHAPTER 2

Sourcing and Pricing Your Products For FBA

The very basis of arbitrage is that you, the retailer, will be sourcing products from a competitively cheaper source and selling it where its perceived value is higher. Hence, on most occasions, your manufacturer may have a factory at the other end of the world.

Amazon does not take responsibility for importing your products, nor will it act as the official importer. We talk about importing regulations in the US and EU a bit further along, but you need to think about what this means to you. If you reside in the United States or The European Union, you can import products and pay all customs fees. If you live elsewhere but wish to sell in these territories, you'll need an agent.

This agent can act as the importer on your behalf, take care of all legal requirements, pay the relevant fees and also help you ship these products to the Amazon fulfilment centers. Needless to say, an agent will charge a fee, so you'd have to take this into account too while gauging your profitability.

Before we move to deciding price, let us take a look at what Amazon charges, and what services it includes in this fee.

The latest change to Amazon's FBA fee came in the beginning of November. As several of their warehouses are stocked to full capacity, they're encouraging sellers to only send in those items which they expect will sell by the end of 2016. This is not to say that all other products are being rejected- just that sending stocks for next year may incur a higher fee at this point.

Monthly storage fees have gone up by over \$1.15 for every cubic foot of space occupied. However, Amazon has also reduced the fee-by-weight in order to offset this increase in fee-by-storage-space.

If you're already a seller on Amazon, your product codes can be used to [calculate the fee of converting to FBA here](#). If you're not selling on Amazon yet, you can still use this calculator for the [US](#) and the [UK](#) to estimate how much commission and fees you'll be paying to Amazon.

Commission is the share of product margin that you pay to Amazon for giving you visibility. Fees are what you pay for storage, shipping and delivery.

If you've tried calculating fees for a few of your products, you'd have probably realized that **products with higher profit margins are best suited for selling through FBA.**

Keeping the periodic fee revisions in mind, you may want to keep your product mix very dynamic- be ready to pull out any product that seems to be sitting in Amazon's warehouse without being sold. A foolproof refund agreement with your manufacturer can come in handy here. Product categories such as apparel and toys have very high margins usually.

Then there's the issue of competing with other sellers. In most cases, different sellers price the same product differently. As an FBA seller, while you can get away with a slightly higher price than a third party seller, NEVER price your product prohibitively high. It helps to take a look at competitor prices and match the price of the highest rated seller.

In some cases where Amazon is the seller, remember never to price your product below Amazon's price in an endeavor to beat them. Amazon has enough resources to get into a price war with you and most probably succeed, so by pricing your product below Amazon, you're asking for trouble.

Here are a few things to keep in mind when pricing a product for FBA:

- When in doubt, always use a price calculator.
- Fees are Amazon's charges for doing part of the job for you; a commission is what it charges for giving you a sales window. While commission is charged on products sold, fees are calculated on products in the Amazon warehouse.
- Amazon revises its fees very often, even if by a small margin.
- Ideally, products with higher margins are best suited for selling through FBA.
- When competing with other sellers, either match the price of the highest rated seller or Amazon, depending on who is competition.

Rules and Regulations

Naturally, there are some rules to follow if you expect to sell through this method. We've split them up to reflect rules in the United States and the United Kingdom. Some of them may overlap.

FBA Rules In The United States

- If you're shipping to an Amazon US warehouse from some other country, you need to be the Importer of Record (IOR) for the shipment. An IOR ensures that products comply with local laws and the relevant number needs to be mandatorily supplied to Amazon for them to begin listing your products.
- Should you choose to return products from the warehouse to your manufacturer, Amazon will not be shipping internationally. You need to provide a return address, collect the consignment and ship it back to the manufacturer.
- The choice of fulfillment center rests with Amazon alone.
- Some products which cannot be part of FBA can still be sold by you as a third-party seller.

FBA Rules In The United Kingdom

- If you're not physically present in the UK and want to sell products from another country through Amazon UK, you will have to hire someone to look after the consignment until customs clearance.
- As with the US, Amazon decides which fulfillment center your products must be sent to.
- Liability for products damaged in transit to a fulfillment center lies with your carrier of choice.
- If you have mislabeled your product, Amazon will relabel it for an additional fee or return it to you.

- You can quit the FBA program whenever you wish, and there is no minimum lock in period.

For a full list of rules, check [this page](#) for the UK regulations and [this one](#) for the United States.



Minimizing Risk When Selling Through FBA

Very few FBA sellers ever report being disgruntled with Amazon's service. While Amazon doesn't make any guarantees for delivery time, anyone who's been a customer knows that they usually deliver within the window shown. However, as a retailer, making the wrong choices can cost you money, especially because of the fee component.

Here are a few risks you'd do well to minimize.

- Don't go all guns blazing. Selecting fifty products from international manufacturers and listing them all may or may not work, but it will surely cost you a bomb in fees. Moreover, if the products don't sell, imagine the cost of returning them to the manufacturer. Instead, start off with a small product mix and a decent sized inventory.
- As much as possible, choose product categories that have a higher margin. This way, you'll be able to offset Amazon's fees and commission.
- Avoid price wars.
- When a product has a good sales rank, it means that the product has sold recently. This is an indicator, but not a guarantee, that the same product will sell again.

Beyond these aspects, certain things can and do go wrong in an inventory as large as Amazon's. Some [instances of comingling](#) have been reported, wherein you get the credit (or a brickbat) for a similar product that belonged to another seller. In an effort to reduce delivery times, Amazon may be shipping products from the nearest warehouse, even if the order belongs to you and the product to someone else.

CHAPTER 5

Keeping Track Of Your FBA Orders

Since the product being sold belongs to you, even if Amazon looks after the delivery and handling, you'll be the one to receive reviews. This is the price you pay for using a warehouse you have no control over. Accounting and billing for products sold through FBA may seem complicated, but it can be fairly straightforward too:

- Amazon's fee is highly variable. Say someone orders one unit of a product from you and Amazon charges a fee of \$5. If they were to order two items, Amazon's fee doesn't add up to \$10- it is usually lower. For accounting purposes, this may be troublesome as you'd have to note down the price of each product unit separately. In such cases, creating your accounting spreadsheet with Amazon as the customer may help.
- Some retail software can help you keep track of invoices for all FBA orders as well, and can quickly integrate these into an accounting software of choice.

If Amazon is the fulfillment partner, how do you keep track of returns and replacements?

In most cases, replacements don't require your involvement- the returned product will be added back to Amazon's inventory and a replacement will be delivered. You will be able to track these changes on your inventory page for FBA.

For products that have been returned, Amazon follows a twofold approach:

- If the product is returned in sellable condition, Amazon adds the product back to your inventory. It debits the refund amount from your collections and returns it to the customer.
- If the product is not in sellable condition, Amazon determines who is at fault- you, the seller, or Amazon. If the damage has happened during handling, Amazon will not debit your collections. If the damage is from your end, Amazon will debit the refund amount from your collections. In either case, the product will not be added to your existing inventory.



- Amazon usually has a 30 day window for product returns. Sometimes, it may make exceptions to its returns policy. If it does so, you will not be paying the refund amount from your own wallet.
- While most objects of personal hygiene are not eligible for returns, as and when they do get accepted, they would not be added back to your inventory.



CHAPTER 6

Selling At Other Marketplaces Through FBA

Amazon allows you to fulfill orders placed on other channels through its fulfillment centers. The clearest advantage of this is that your stock and inventory is not limited to Amazon alone—you can use Amazon purely as a Fulfillment center and have your orders from other channels fulfilled. Amazon does not charge a commission on such orders, but fees need to be paid—order handling, ‘pick and pack’ and weight handling fees are still charged by Amazon. You can take a look at the comprehensive fee chart for the United States [here](#).

When you use Amazon to sell on multiple channels, your shipping fees are significantly lower than when you try and fulfill an order yourself. What’s more, they may even arrive faster. Most customers are willing to pay for this added value, and you get to make a greater profit even if you price your product the same as a competing seller.

One important aspect to remember is that FBA currently fulfills orders on other channels only when the delivery is domestic. So if you have a lot of international takers for these products, this option will not work.

Summary

By using FBA as opposed to traditional online retail, you can keep the focus on just three aspects- scouting for the right products, listing them on Amazon, and selling. Everything else is looked after by someone else.

By keeping a close eye on your own product inventory and the sales ranks for a mix of products, you have a way to compare the sales of your products with other bestselling items. This allows you to tweak your product mix.

As with any retail business, you need to find the right manufacturers whom you can trust, and who can provide products to you at competitive prices. If you do find this magic manufacturer, never let them go.

Do remember to advertise. Ask people in your social circles to buy products from you. Advertise your deals. Tell family and friends, and ask them to tell their friends. So many businesspeople worry that if they were to share their business idea, someone else may go one up on them and put them out of business. But if you don't tell people what you're up to, you're losing potential sales already. Even if one of them were to take your idea and follow it to the T, they're not you.

Parts of this resource were learnt and reproduced from [Arbitrage by Chris Green](#). If you're considering turning FBA orders into a business, you'd want to read the entire book for more insights.

Primaseller is an inventory management software that helps retailers manage inventory and process orders across different channels of sale. We help them in [integrating all their offline and online channels](#) of sale like Magento, Shopify, Amazon, eBay, Flipkart, etc. This helps sellers save a lot of time that they spend managing inventory at multiple places.

