



A Seller's Guide:

How to Reach Amazon Prime Customers *Without* Using FBA

SKU**VAULT**

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AMAZON PRIME

what it is & why it's great for



Consumers

Amazon Prime is a membership-based service to which an Amazon shopper may subscribe for an annual fee (currently set at \$99 per year). The membership guarantees free two-day shipping on Prime-eligible items that are purchased on Amazon.com, as well as a slew of other features (admittedly not as popular as the primary benefit of two-day shipping), such as instant video, kindle lending library, photos, music and other services, such as Prime Pantry. For the two-day (which, Prime users know, is often actually free one-day) shipping alone, **Prime is a great deal; the purchase of just a few items per year on Amazon easily makes up the difference in cost, with any additional purchases resulting in savings.**



Amazon

Once an Amazon shopper is converted to an Amazon Prime member, they're more likely to purchase directly from Amazon when they want to order an item online; and there are well over 50 million Amazon Prime users. These users are infamous for spending nearly double the amount that the typical Amazon-goer spends per year. Sellers who fulfill their items via Amazon for Prime-eligibility also generate revenue for Amazon. Sellers who utilize FBA as an additional revenue stream are able to ensure that their customers get prompt service and and free two-day delivery, with easy returns. Prime members, on average, have a noticeably higher return rate than non-Prime consumers, but far from being a bad thing, this leads to increased value perception and customer retention. There are now warehouses all over the world to which third party Sellers ship their goods in order to take part in Prime sales. They pay Amazon for this - **increasing Amazon's capital, hence increasing their footprint as well as their network - and this leads to a lower barrier of entry as Amazon adds new services and offerings.**



Sellers

Prime can be beneficial for Sellers, so long as those Sellers are willing to work within Amazon's guidelines. Some listed items are required to be Prime-eligible, in order to compete as a Seller. For example, if your competitors are selling the same exact item as you, and their item is Prime-eligible and yours isn't, then you have potentially just lost all Prime buyers (at least 50 million, although we all know how little Bezos likes sharing his numbers) because they want free two-day shipping. Prime items often get the Buy Box even if the price of the item is higher, so it's an enormous boost to visibility. Prime membership is growing rapidly, and if you sell on Amazon, you likely already offer some Prime-eligible items in order to compete. With Prime, you can gain competitive advantage over your competitors with the massive Prime membership customer base. Prime can also be harmful to Sellers for this same reason, if the Seller is unwilling to offer a Prime-eligible item to compete. **In this way, Prime can be a double-edged sword - or at least, it was, when the only way you could get Prime was by utilizing FBA.**



FULFILLED BY AMAZON

What is it?



FBA stands for “Fulfillment By Amazon”, and it’s a service wherein Sellers must send their products to one (or, most likely, multiple) of Amazon’s “FBA” warehouses, which will allow for their items to be available on the marketplace as Prime-eligible items. Amazon ships some of their own items from these warehouses as well as those sent by third party Sellers, so every precaution and efficiency is taken with the inventory. There is a very specific process that Sellers must go through in order to get their goods into FBA distribution centers, and there is cost involved as well.

nota bene

It used to be that Sellers had to send their items to FBA to qualify for Prime, but with Amazon’s new initiative, that’s no longer true. Amazon is, right now, in the process of expanding Prime from their own distribution centers to merchants’ own warehouses. This will have several great implications for Sellers and buyers alike. The rest of this whitepaper will cover the pros, cons, and how to’s of how to leverage this change to increase profit!

Before you can know if switching to Amazon’s new initiative of having merchants fulfill directly from their warehouses is a good fit for your business, it’s useful to fully understand the alternative to becoming Prime-eligible. **If you just want the juicy details of how to get on board the Fulfilled by Merchant train, skip to page 5.**

How it works

- 1 Identify new products, as well as current Prime products that need replenishment, to send to FBA. Hopefully these decisions are being made based on good data.
- 2 Create purchase orders, including quantities and items that Seller wants shipped to FBA.
- 3 Items are received from PO, and put into FBA staging area (notified at receiving of what to send to FBA staging area).
- 4 Create picklist to route FBA pickers with most efficient path around warehouse to pick all items currently-on-hand that have been chosen (hopefully via reporting) to also send to FBA; these are the replenishment items.
- 5 Pick items, and send them to the FBA staging area.
- 6 Label all items to be sent with FNSkus (FNSkus are an internal Amazon-specific barcoded label, used to identify the item & the owner of the item).
- 7 Create FBA shipments in Amazon Seller Central for the items in the staging area. Often a shipment must be packaged in pieces, and sent to multiple FBA distribution centers.
- 8 Pack and ship out the items.
- 9 Monitor the item shipment, receiving status, sales, etc.
- 10 Recall unfulfillable or damaged items, and process them.



FULFILLED BY AMAZON

Pros

- Products get Prime status on Amazon
- Appeal to the large Prime audience.
- More frequent Buy Box ownership.
- Happy customers from speedy product delivery.
- Amazon handles customer service and returns.
- Seller does not need to ensure items shipped promptly to customers.
- Amazon will remove negative feedback since their team is shipping and handling customer service - feedback protection, nice!
- Cheap shipping - Amazon gets a deal so YOU get a deal.
- Ability to ship to places that are more difficult to ship to consistently, such as international.

Cons

- Every item ships twice: Once to the FBA warehouse(s), and again to the consumer.
- Must rely on outside source to ship on time, not lose or damage products, and ensure customer satisfaction. Returns are higher for this reason.
- Still have to pay for picking & shipping labor.
- Distributed inventory becomes harder to track; creation of useful reports for accounting and purchasing decisions harder.
- Stale inventory removed & shipped back to you.
- Not all products (ie: low value & low margin) make sense to send to FBA.
- Multi-Channel Fulfillment (option in FBA) is costly.
- FNSku labeling is tedious & labor-intensive.
- Inbound shipping delays: the whole time products are in transit to FBA, being transferred between distribution centers, or in FBA receiving, these products are not for sale. Bad for those who work on terms.
- LOTS of fees, & delayed payments.

nota bene

Hmm. There's more cons than pros! Some pain points are explored in more detail below.

FNSku Labeling

For most product categories, every single product being sent to FBA must be labeled with an FNSku label. This enables Amazon to identify not only the product but also the product owner and Seller. This can be very time consuming and costly. Amazon offers a service to do this for you (~\$0.20) but this just adds to the cost and cuts into Sellers' margins even more.

Purchasing

Identifying & creating POs for stock to send to FBA can be a hassle. Which products to send - how many? The Seller needs to take into account how many items are currently in stock at FBA, in their own warehouse stock, and incoming on other PO's, some of which may be mixed with regular stock. Sellers need an easy way to alert receivers that certain quantities of specific SKUs on the PO need to be sent directly to the FBA staging area.

Picklist Creation

Nevermind the analytics of identifying what current stock and quantities should be sent to FBA from a Seller's existing inventory; creating an efficient picklist for pickers to get the products to the FBA staging area (to await labeling and shipment creation) can be a big job in and of itself if Sellers don't have this aspect automated with their warehouse management system.



FULFILLED BY MERCHANT

What is it?



Prime's new Merchant Fulfilled program allows Sellers to list items as Prime-eligible, *without* having to send the product to FBA warehouses. The item can be housed in the Seller's warehouse(s) and shipped directly to the buyer; this greatly reduces costs for Sellers, while still allowing them to benefit from the increased visibility & sales of Prime buyers, who, as we know, almost exclusively purchase Prime products! **The ability to attract and target the large Prime customer base is huge, and to do this from a Seller's own warehouse(s) without being forced to send all of their products to the Amazon FBA warehouses is a game changer.**

do you qualify for the new program?

Prime Merchant Fulfilled is a new program for 2015 that Amazon is only opening up to certain Sellers. Amazon is rather secretive about a lot of things, and, so far, this is no exception. What we **do** know so far is that you need to have above-and-beyond, top-of-the-line metrics in the following areas to even be considered:

- 1 Seller shipping time for merchant-fulfilled sales - these are sales shipped directly to the consumer from their own warehouse
- 2 Seller shipping accuracy for merchant-fulfilled sales
- 3 Seller feedback

For Sellers to accomplish great shipping & feedback metrics, they need to be consistent. To be consistent, Sellers need a solid process and an automated management system.

why it's great for

Consumers

Expanding Amazon Prime's available distribution centers from its current number, to the countless it'll become once this program is up and running, will mean increased shipping performance for Prime customers. In addition to faster shipments, consumers will also benefit from a much, *much* larger Prime product catalog to choose from, which increases the perceived and actual value of Prime, making it even easier to renew their membership every year.

Amazon

Amazon's strategy in the past has been to build large distribution centers all over the world in order to get products to their customers almost anywhere within two days - often, less than that. This is *very* costly. Allowing Sellers to use their own warehouse(s) to distribute Prime-eligible products can essentially increase Amazon Prime warehouses by the thousands! This drastically cuts costs for Amazon. As the value of Prime increases, so too do the number of Prime memberships & orders.

Sellers

Sellers are able to offer more products as Prime-eligible, which will increase sales as their products are exposed to the Prime members. An improved Amazon Prime value and experience ensures that the customer comes back to Amazon, and, often, that same Seller, and not to another marketplace or website the next time they go online to purchase something. Sellers will decrease costs and pain points related to FBA, while benefitting from the increasing sales.



FULFILLED BY MERCHANT

Benefits of Fulfilled by Merchant over Fulfilled by Amazon

It's a no-brainer; you get the benefits of FBA & Prime, *without* the pitfalls that used to be an unavoidable aspect you had to deal with.

- 1 Costs decrease overall.
- 2 No FNSku labeling.
- 3 No specialized "going to FBA" pick lists.
- 4 No specialized receiving procedures for FBA-bound items.
- 5 No FBA staging area, or training employees on the process.
- 6 Simpler reporting, accounting, and purchasing.
- 7 Sales increase, due to the larger audience & preferred status.



A Hybrid Model: FBA & Fulfilled by Merchant

Utilizing the new Merchant Fulfilled program doesn't exclude all use of FBA; not all products are a good fit for FBA, but some of a Seller's products might still make more sense to send to FBA! This would depend mostly on price, size, weight, sales velocity, and margins of a particular product. Minimizing costs (fees, shipping, & labor) and maximizing sales is the main idea. And the goal? The goal is the same for every business: **profit**.

How to get invited to party

There's 100%-guaranteed method just yet - to start, Sellers need to make sure all orders are shipped accurately and on time; don't sell any items that are out of stock, and don't aggravate your customers. Sound like an over-simplification of an enormous, intricate mess of processes? Then as a Seller, you need a system and set processes to simplify the mess for your employees, as well as a way to get notified by warehouse workers if something is off. A good, efficient picking process is essential to making sure orders ship on time. A solid quality control procedure ensures accuracy. A strong shipping software streamlines the label printing process. Thorough reports give managers the views they need to identify orders that are not being shipped accurately and/or on time. Exceptional customer service, including return policies, are also a must. Basically, if you can generate happy, return customers to the Amazon marketplace then you will be a prime (Prime!) candidate.



USING SKUVAULT

top 5 features

To go above-and-beyond
& get Fulfilled by Merchant

Smart Picker Routing

Our interactive wavepicking module & picklists route pickers around the facility in the most efficient manner possible, every time. Fulfill all orders as quickly as possible to improve on-time shipment rating & final time-to-customer delivery rating.

Quality Control

An optional special feature upon picking and/or at the shipping station, wherein which items/quantities are picked/shipped are tracked by user. Users are alerted of any discrepancies, to ensure accuracy of shipments.

Manager Visibility & Reporting

Reports that address issues such as "Orders that haven't been shipped out that *should've* been", "Warehouse employee stats & transaction history", and "Who picked & shipped which orders"

Real-Time Inventory Updates

Available quantities are continuously synced to Amazon, and react in real-time to actions taken in the Seller's warehouse. Actions include: incoming orders, outgoing orders, employee sale, quantities received from a PO, added / removed quantity, inventory audit adjustments, items coming back from a hold due to repair / daily deal / photos being taken / etc.

Brand / Class Report

More sales = more chances to make happy customers, and better feedback = better chances of getting into the Merchant Fulfilled program. Get more sales by making smart purchasing decisions with our brand / class report. It's a higher level overview that helps you identify classifications or brands that are performing well in terms of sales quantity and/or margins.

For our Amazon Prime
Sellers still using *FBA*

Purchase Orders

Easily identify on a PO what quantity or total quantity being ordered is for FBA & alert the receiver so they know to take products directly to FBA staging to be shipped out. This saves time & money, and gets products to market faster.

Reorder Reports

Identify sales channels for which a Seller is wanting to reorder - in this case, Amazon - and then forecast how much to reorder for that particular sales channel. This is great for FBA reordering, and allows auto-generation of a PO based on the report.

Identifying Current Stock to Send to FBA

Reports to reveal what current stock should be sent to specific distribution centers for certain sales channels. Once identified, SkuVault can enter these items in as transfer orders and then generate a picklist that directs the most efficient path to take when picking these items to go to the FBA staging area.

FNSKU Labeling

Supports alternate UPC or barcodes for a single product, which can be used to label products with FNSkus when they come in. Scan either an FNSku or the normal barcode for a product, and SkuVault will recognize it. This also streamlines the process when it's time to create the shipments to send products to FBA.

Unified View of Current State and Sales History

SkuVault gives unique views of all current stock, no matter how many warehouses, distribution centers, dropship stock, or FBA that products are spread across. It also handles total available quantity for sale versus true on-hand for kit (bundles) & alternate products, to give a real sense of how products are doing even if they're selling both individually and as part of a bundled SKU.



CONCLUSION

in three parts

1

eCommerce is heading toward a hybrid model

The hybrid model of FBA & Fulfilled by Merchant is the where Amazon is heading, and Sellers need a system that can handle that model. FBA and Prime's Merchant Fulfilled program should both be used for maximum sales and profits, and that means that both need to be handled efficiently. Learn from eCommerce's short history; this is the same problem many wholesalers and manufacturers ran into with their legacy systems that weren't set up for single-piece shipments. When they began to start selling direct to consumers online, their systems couldn't handle the mixed model well. This is an important problem to solve with our global economy and the fast growth of eCommerce, and it's a problem that consistently limits growth of a company. To handle all of these models in one system is essential to running your fulfillment operations successfully.

2

Gather & act on metrics to get Prime-eligible

The quality of a given order's fulfillment is rated by Amazon - the Seller rating metrics of fulfillment ship times and delivery times are two of the most important, along with customer feedback. Metrics such as out of stock percentage, order fulfillment time, pick time, # of cycle counts per year, spoilage, mis-picks percentage, mis-ships percentage, top selling brands, top selling classifications, top selling channels, and more, can all - and should all - be measured to take your business to the next level. Taking this approach of valuing metrics internally within their organization is one of the most important things owners and managers can do for their business. Metrics allow businesses to make smarter decisions, and to stop leaving their success to chance by illuminating a literal formula to success.

3

Profit

Should Sellers be interested in what Amazon Prime's Fulfillment by Merchant program is all about? Should they continue to use FBA for those items that it makes sense to? Should they streamline their warehouse operations and fulfillment processes to improve their various metrics, so that any of that is even possible? The answer, we at SkuVault feel, is clear: yes, absolutely, right now. It's newly possible to get the benefits of FBA and Prime without having to suffer the pain points of FBA, and that's a game-changer. The question shouldn't be if a Seller *should* do it - it should be: where do they sign up, to increase profit today. Well, you can't directly sign up for Amazon's Fulfilled by Merchant program - **but you can sign up to streamline & improve your metrics today.**



ABOUT SKUVAULT

SkuVault is a cloud-based inventory and warehouse management system that's designed to work *with* your warehouse, not against it. Real-time quantity syncs prevent out of stocks, barcoding and QC reduce picking and shipping errors, and our smart re-order reports ensure that your purchasing decisions are backed by hard data. SkuVault integrates with your other favorite eCommerce platforms, like Amazon, FBA, Amazon International, eBay, ChannelAdvisor, ShipWorks, ShipStation, Shopify, Bigcommerce, Volusion, Magento, Quick-Books, and more! SkuVault unlocks the potential of your inventory; [request a free demo](#) of it today!

ABOUT THE AUTHOR

Andy Eastes is the CEO of SkuVault. He has been active in the eCommerce community for 10 years, and has a passion for increasing efficiency for eCommerce and wholesale businesses. He attended University of Louisville for Industrial Engineering, where he developed his passion for process improvement. "Without continual growth and progress, such words as improvement, achievement, and success have no meaning."

