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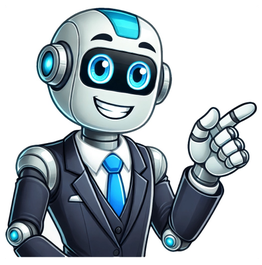

Amazon FBA is short for Fulfillment by Amazon. In simple terms, an Amazon FBA business allows you, as the seller, to choose the products and services you want to sell. You find a supplier, order the products, then package and ship everything to Amazon. The products are stored in one or more of Amazon's warehouses and then sent to customers who order. It's an easy way for third-party sellers to offer Amazon Prime benefits to their customers. If you want to take advantage of the world's largest online marketplace but you don't want the hassle of handling order fulfillment, this is the way to do it. It's pretty easy to get started with your own Amazon FBA business, but the more research you do ahead of time, the better off you'll be. There's plenty of competition out there. Jumping in without doing your homework could cost you. The first step is the hardest and will take most of your time. Picking your niche (and the first products) makes or breaks your online business. If you choose something with little to no demand, is highly competitive, or expensive to purchase in bulk, you may not get the profit you were counting on. This takes brainstorming, market research, and learning your supplier options. Start by making a list of the things you're passionate about and knowledgeable about. Think as broadly as possible – the time for narrowing things down comes later. As you come up with your list of ideas, think about niche product categories. For instance, "fashion" may be too broad, but "women's fashion" is more niche. Do you already have a blog or social media following? Leverage this to help you. For instance, if you love food and cooking and your followers know that, they are more likely to trust you when you start marketing your new line of kitchen tools and gadgets. By choosing something you're already passionate about, it'll be much easier to write about it on your blog or create podcast content around it. Your followers will be able to sense the authenticity behind it. Search your product idea on Amazon and other major retailers. Take a look at the price. Aim for something that's more than $10 but less than $50. Why? That's the target price range for impulse buys. Impulse buys are likely to turnover stock faster. Next, use Amazon keyword tools to get an idea of how many people are searching for certain keywords. This will help you make sure there's a demand for your chosen product – and can help you find the words and phrases you should use in your product's title and description. Now, use the Best Sellers Rank (BSR) on Amazon. The ratings show you where there is a demand for the product. This alone should not be what you base your decision on. However, if you notice that a particular item dominates a product category, it may indicate the category is too competitive for your first product. Take a look at the first three to five products on the seller page within a given category. The lower the BSR number, the more it sells, and the higher it is ranked. If a lot of products within the category have low BSRs, you're looking at a highly competitive category. If there are many products with higher BSRs, this could be easier to start with since there's not as much competition. You can use Amazon product research tools to help you conduct your product research. With these tools, you can determine competition, demand, FBA fees, and more. Once you've narrowed down your choice to a handful of best products or a product category, Amazon has resources to help you determine the FBA fees associated with the product. A product's fulfillment fees vary based on a variety of factors, including: Product size Product shape Product weight When you choose to sell products on Amazon, you do not want your first product to be something that competes with brand names or highly recognized and well-established products. It can be hard to start your Amazon FBA business in a product category with well-established products with high ratings. If you find that most of the products in a category have more than 50 customer reviews and rank high on the BSR, it indicates the category is likely too competitive to start with. You can try to break into it later when you've gained traction elsewhere. Depending on what your research reveals and the type of business model you want to use with your Amazon FBA business, there are multiple ways to source your products. Retail arbitrage sellers find sale and clearance products at local retail stores. They list them for a profit on Amazon. With the Amazon Seller app or another barcode scanning app, you can scan individual products to see how much they are selling for on Amazon and how much you'd pay in fees to sell the item. If you can find items that have at least a $3 profit, you should consider listing them. If you don't have many retailers in your local area, you can use a variation of this, known as online arbitrage. Instead of physically shopping the retailers, you place online orders for the products. At this point, you know what kind of product you're going to sell, but it's not time to relax quite yet. You need to find a supplier for your products – and to make the most money, that typically means sourcing your products from outside the United States. Google is a great place to start. As you research, take notes on minimum order requirements, unit prices, regions they supply, lead times, etc. This can help you evaluate the suppliers and make your final choice easier. One way to combine wholesale with retail arbitrage is to look for wholesale lots on websites like eBay. Using this approach, you create a brand of your own with an existing product. Private label products are those that are common but generic enough to brand yourself. Walmart has Great Value, Mainstays, and Equate, for instance. Amazon has Amazon Basics and Amazon Essentials. If you want to create a private label brand, it's best to avoid products that would directly compete with Amazon. Alibaba is a common private label supplier, but they're not the only game in town. If you want to start your own private label brand, spend time researching other private label sellers on Amazon and off. This will help you not only with selling on Amazon but also with your overall business strategy. Regardless of whether you want to build a long-term brand or just choose something that goes with your first product, your brand is a core part of your marketing strategy. To get started with your Amazon business, you'll need a seller name and a product brand name. Your seller name is the company that every product you sell on Amazon falls under. Your product brand name. You can have a separate brand name for each of your product listings. If you sell something in the kitchen category, you can have a kitchen-like brand name. If you sell a pet product, you can have another brand name for that, and so on. You set up each brand under your main company. Amazon provides the following guidelines for creating your seller name: "Your seller display name is displayed with your listings and on your Seller Profile. Sellers are generally allowed to be descriptive or fanciful as they like when creating their display names. There are a few constraints, however." Each seller has to have a unique display name. Display names cannot have the word "Amazon" or any other Amazon domain name or trademark. You, as the seller, must have all necessary rights to your display name. Only letters, numbers, and "-" or "_" are allowed. No other special characters are allowed. No profanity or offensive display names are allowed. For readability, display names are suggested to be less than 20 characters long. Spend a bit of extra time here, but don't let it become a major roadblock. You can change your brand name and design later. Consider your market and how your brand would resonate with them. But, if you're struggling to come up with something, you can go ahead and get started. When it comes to branding, you have a couple of options. You can either brand the product itself, brand the packaging, or brand both the product and the packaging. You can brand the product itself by printing on the product or adding stickers. You will incur a cost from the manufacturer because of what they need to do to set up the branding for your product and packaging. You'll also need to consider the costs of designing the brand. If you're the creative type, you can design the brand yourself. If not, you can hire someone on a freelance platform like Upwork or Fiverr to do it for you. Ask the manufacturer to provide photos of sample packages along with the dimensions and their design specifications. Send that information to your designer. Provide the final design back to the manufacturer. They'll print the design on your product or packaging. Visit sell.amazon.com. If you're sure you'll sell more than 40 items a month, opt for the professional seller account. This flat rate $39.99/month plan does not charge a per item selling fee. If you aren't ready to commit to a flat monthly fee, you can sign up for the individual seller plan. Under this structure, you'll pay a fee of $0.99 per item selling fee. Follow the on-screen instructions to complete your sign-up. You'll need to have your bank account information ready so that Amazon can pay you when it's time. You'll also need a credit card to pay the account fees to get started. Once you've signed up for your Seller Account, you can add FBA services to your account. After you've added your products to the Amazon catalog, you'll be able to specify your FBA inventory. Once you've signed up for your Amazon FBA account, you'll receive instructions on how to pack and ship your items to the Amazon warehouses. Follow these instructions, and once your items arrive at the warehouse, you'll be ready to sell on Amazon. If you do not want to prepare your products yourself, you can have Amazon do it for you – for an extra fee. When you've made it this far – the work is really just beginning. Having your product listed for sale on the Amazon marketplace will give you a certain amount of traffic, but there's still a lot you can do. You know your product is excellent; otherwise, you wouldn't have selected it. The product description is where you convince your audience that your product is awesome, too. If you don't already understand search engine optimization (SEO) concepts, take some time to study up. Use the keywords you found during your product research phase to help you craft your product title. In addition to the keywords, it should also include your product's brand name and (if you have one, your private label). Beyond the copy itself, you should include high-quality product images. If you don't have the photography skills or equipment to take product photos, invest in it. Your product photos should demonstrate the features of a product and show it from a variety of angles. Remember, your shoppers cannot touch the product, so your photos have to do a lot of work. Craft bullet points that provide specific details. Go beyond listing the features and specifications. Instead of saying, "Durable," describe exactly what makes it durable. How is it constructed? What material is it made of? Take a look at these bullet points on a KitchenAid stand mixer listing for inspiration. What's important is understanding that this is an ongoing process with a bit of trial and error. You can use split-testing tools like Splitly to help you optimize your product listings to make sure you're getting the best sales performance possible. With your product listing live on Amazon, it's now time to start marketing your product to a larger audience. Amazon Marketing Services has a variety of advertising methods you can use to build a larger audience. One of the most cost-effective ways to advertise is with pay-per-click (PPC) ads. Your products will show in relevant searches as a "Sponsored Product," and you'll only pay when someone clicks your ad. Beyond Amazon, you can also use PPC ads on Facebook and other social media platforms to reach more customers. With Facebook's targeting, you can get highly specific with the people you'll target. And thanks to their budget rules, you can tailor your ads to a certain daily or lifetime budget. Product reviews are an important part of your sales rank. It's easy to pay for a bunch of fake reviews. And as easy as that is, don't do it. Instead, reach out to your friends, family, and other people you know who may be interested in the products you offer. Give them the product in exchange for an honest review. Consider working with influencers in your niche to get product reviews. Beyond the reviews themselves, the influencers will share your product and their thoughts with their audience. That helps build your following and brand awareness – even if no one makes a purchase right away. Once you make some sales, reach out to the customers and ask them to leave a review of your product. Paying attention to what's going on with your product listing will help guide your strategy. You'll see analytics information that makes it easy for you to test, adjust, and keep things moving. To truly be successful on Amazon, you have to build an audience off Amazon. One of the best things you can do for your business is to set up an email list. Amazon charges fees to all sellers. The commission you'll pay depends on the category your item is listed in. The cost is taken out after the sale. You can find out how much it will cost to sell an item by scanning its barcode with the Amazon Sellers App. It's worth noting that Amazon also charges refund fees. You'll pay either 20% of the charge refunded, or $5, whichever is less. Those fees are separate from Amazon FBA Seller fees. What you'll pay depends on the weight and size of the time that's sold, packed, and shipped. You can see what the fees currently are here: The fees are subject to change at any time. You'll pay storage fees every month. There are additional long-term fees for inventory that doesn't sell after a certain period. Monthly storage fees vary, depending on the amount of space, in cubic feet, that your inventory occupies. Long-term storage fees apply to anything that remains after 12 months. If you grow your Amazon FBA business to more than 100,000 ASINs, you'll be charged a fee of $0.005 per ASIN. Closing fees apply to certain products such as books, CDs, and DVDs. As a Fulfillment by Amazon customer, you will pay FBA fees rather than shipping costs. You do not have to pay for shipping, handling, or packaging to ship your goods to customers. If you ship your products yourself, you'll pay shipping costs. These costs vary from carrier to carrier and are based on the size and weight of your products. You may or may not qualify for shipping discounts. For the average third-party seller, FBA sales are worth the fees. Since it removes the need to pay for shipping, store, pick, pack, and ship the items, it's a lot less stressful for the business. Let's take a closer look at what FBA could cost you. In the first example, you've got a small paperback book that weighs less than 10 ounces. As a "small standard" product, the fulfillment fee is $2.50. Let's add another dollar to cover your storage costs. The product starts at a $14.99 retail price. In both cases, there's a $4.05 Amazon seller fee. With DIY fulfillment, you pay $3 in fulfillment costs. With FBA, you pay $4.90. With DIY fulfillment, you pay 50 cents in storage fees. With FBA, you pay 60 cents. And once you subtract the $3 unit cost, you earn a $4.44 profit without FBA and $2.44 profit with FBA. In the case of smaller items, using Amazon FBA isn't the clear winner. But let's take a closer look at what a larger item would be in the same scenario. With Amazon FBA, your items are more profitable because there's a chance to save on fulfillment costs. The 32" TV starts at a $259 retail price. With FBA, there's no shipping fee, so you only pay $20.72 to Amazon in commission. In DIY fulfillment, you add a $20 shipping fee. That brings your Amazon fee to $22.32 because of the additional revenue. You have a $40 cost with DIY fulfillment because of the shipping, supplies, labor, and customer service. With Amazon FBA, that cost is only $17.40. Your storage cost is $1 with DIY and 90 cents with Amazon FBA. By the time you deduct all of this and the cost of the TV itself, you're left with $16.68 profit with your own fulfillment and $20.98 with Amazon FBA. That brings your net margin from 5.98% with DIY to 8.10% with FBA. The fulfillment fees are much more affordable with larger items because of the shipping and storage discounts Amazon can leverage. Since you ship everything to Amazon, you don't have to worry about keeping everything in your home. Yes, you'll pay for warehouse space, but it's often cheaper than finding and renting your own warehouse. Amazon stores everything for you, and then Amazon ships items to customers on your behalf. Amazon fulfillment centers are located throughout the United States. You'll know where to ship your orders based on the instructions Amazon provides. Often, your products are stored at multiple fulfillment centers across the country. This way, our order ships from the closest location to the customer, allowing for fasting shipping. As an Amazon FBA customer, your products and services will be eligible for Amazon customer service. They'll handle customer returns and any other issues related to the products or services you sell. Your customers will have 24/7 FBA customer support via live chat, email, and phone. You do still have to provide customer service for orders outside of Amazon. Ultimately, this reduces the amount of time you have to spend addressing customer service issues. This helps you keep your business running smoothly and ensures you have plenty of time to dedicate to marketing and growing your business. Prime customers can get thousands of items shipped for free within two days. Any items handled by Amazon FBA qualify for Prime shipping at no extra cost to you. If you utilize Amazon FBA, you can also participate in other shipping programs, as long as your products are eligible. The Small and Light program aims to reduce the fulfillment costs for small and lightweight FBA inventory under $7. Products enrolled in this program are eligible for free shipping to Prime customers and standard shipping for non-Prime customers. To qualify for the Small and Light program, items must be: In new condition No larger than 18 x 14 x 8" No more than 12 ounces in weight Priced at $7 or less If your products qualify, you can enroll at the Small and Light Product enrollment page. The Subscribe and Save program allows Prime customers to take advantage of recurring orders for the products they use the most. There are two types of Subscribe & Save orders; sign-up orders and replenishment orders. This service is provided at no cost to customers. Frustration-free packaging is recyclable and contains no extra materials. It's easy to open because there are no wire ties or pieces of plastic. The program is designed to reduce waste because it ships without Amazon packaging. Even without the additional packing material, the program is certified to minimize damage to items in transit. If you sell products outside of Amazon, you can still use the Amazon fulfillment center to take care of your shipping. With the MCF service, you can sell on various platforms and still have Amazon handle fulfillment. If your order originates on your website, Amazon will handle it the same way as if it had sold through Amazon. The Amazon Buy Box is located on the product detail page. It's what makes it possible for customers to add products to their cart or make one-click purchases. More than 90% of Amazon's conversions come from the Buy Box. As a third-party seller, if you can get into that Buy Box, you'll get more sales. There are many products that Amazon sells themselves from the Buy Box, however. Even still, third-party sellers who offer Prime have a better chance of getting the Buy Box than those who don't. If you want more help optimizing your listings and selling on Amazon, read my Amazon selling tips post. You'll pay fees for everything. While it is often more cost-effective than handling inventory and storage on your own, it can really hurt your profits. If you have something with a low margin, you'll need lots of products or high volume to earn revenue. If you can't turn over your inventory quickly, you'll end up paying Amazon more money. If you've got inventory that's been in Amazon fulfillment centers for more than 365 days, you'll be charged a monthly long-term storage fee of $6.90 per cubic foot or $0.15 per unit, whichever is greater. You can check your fee amount on the Long Term Storage Fee report. If you want to avoid paying those long-term storage fees, keep a close eye on your inventory performance index in Seller Central. It's what Amazon uses to measure how well your inventory is doing. Low scores could mean limits placed on your storage space and being charged overage fees. Many sellers report that after switching to Amazon FBA, they see an increase in product returns. This is likely due, at least partly, that Amazon has an open return policy. This can affect your overall profits, but it's not much work on your end since Amazon handles the processing. In the past, Amazon had returns shipped back to them and then forwarded them to you. Now, Amazon has the products returned directly to you. Amazon has stringent product preparation guidelines. This can be challenging for brand new sellers. If, for instance, you mislabel your inventory, it will be rejected at the fulfillment centers. This leads to delays and more work overall. Every state in the United States has different sales tax collection rules. Because Amazon has fulfillment centers in all the states and shuffles inventory between warehouses, collecting sales tax can become quite complex. Your fee payment is made monthly. You won't be able to pay what you owe from the previous sale with the next one. Amazon will deduct all the fees you owe them before they make any payment to you. And if, for any reason, you don't have enough of a balance to cover their fees, you'll have to have a credit card on file to pay any remaining balance. If you're using FBA outside of your Amazon business, it can be hard to keep track of all your inventory. In MCF, it can be challenging to know when it's time to send more merchandise – specifically at the item level. FBA sellers have all the same products comingled if they are the same products from the same company. Because of this, counterfeit versions of your product could be mixed in with your product. Ultimately, this could be bad for your reputation. If you don't want to pay fulfillment fees associated with your FBA business, then you can always opt for Amazon Fulfilled by Merchant (FBM). With this program, you'll still list products for sale on Amazon, but you'll handle all order fulfillment yourself, either by shipping everything directly or with the use of other advanced fulfillment networks. If you want to take advantage of the Prime customer base but don't want to pay Amazon FBA fees, you may want to consider the Seller-Fulfilled Prime (SFP) account. With this approach, you handle all the picking, packing, and shipping. You pay the shipping costs and handle returns. The costs are typically fixed and don't fluctuate much. Under this program, you agree to pack and ship items to your customers within two business days, so they fit within the Prime guidelines. SFP is a lot more work, so smaller brands tend to better with the Amazon FBA program. But if you have low-cost items or large items that would cost a lot in storage with Amazon, this is the best way to get the Prime badge while still keeping costs down. Though it's not always open to customers, it's worth keeping an eye on if it's something you're interested in. Which one should you choose? Consider the following as you make your choice: Size and weight of the products How much control you want over the customer experience Seller feedback Inventory turnover rate Logistics Fees and expenses Are you an entrepreneur who's ready to start selling products on Amazon? Do you already have products for sale on your own site? An Amazon FBA business may be the answer you're looking for. If you're coming to market with a product of your own – Amazon could be a great way to reach new customers. If you're looking to sell the same things everyone else does, you may struggle. It depends on the competition and whether or not Amazon is a direct competitor. If you're selling the same private label products that Amazon is, even at the best price, you may not see the volume you were expecting. After you've been working with your first product for a while, you can continue growing your business by adding new product listings regularly. Before you know it, you'll have a successful FBA fulfillment by Amazon business. I have been selling online through an Amazon FBA business since 2013, but I haven't really spoken about it much on this blog. I hesitate because to a reader I think it sounds too easy. The logic is simple and the businesses can be very profitable, but that doesn't mean that an Amazon FBA business is a get-rich-quick scheme. They are serious businesses and are a lot of work to get going. It is worth it, but you should treat your Amazon FBA business just like any other business. What is an Amazon FBA Business? I am sure you have heard of Amazon. It is the largest online retailer in the USA, UK and much of Europe. A household name. But what you might not know is that when you purchase something from Amazon, there is a very good chance that you are buying from a third party seller using a service called Amazon FBA. FBA stands for 'fulfilment by Amazon'. What it means is that Amazon looks after all of the seller's stock. When a customer places an order, it by-passes the seller altogether and goes straight to the FBA warehouse. Amazon then picks out the order and delivers it to the customer. Amazon FBA also handles most of the customer service. They process all customer returns and only the most specific queries get forwarded on to the seller. To the customer, there is almost no difference between purchasing from Amazon directly and from a person selling their items on Amazon through Amazon FBA. They get the same delivery options, the same returns policy and the same customer service team. In the image below you can see that the torch below is sold by 'TriumphInnovations' and 'Fulfilled by Amazon'. 'TirumphInnovations' is an Amazon FBA business. An Amazon FBA business is a great intermediary between a bedroom eBay business, and a full-time brand with a large staff. As a seller, you don't have to look after the stock and it takes the same amount of work to sell 10,000 items as it does to sell 10. But to the customer, they get a quality of service that is on par with the biggest brands in the word. As a seller, you can run a one-person business that sells thousands of items each month, all remotely from anywhere in the world. In fact, I am currently in South America with Amazon FBA businesses in Europe, Asia and North America. You acquire the stock and get it delivered to Amazon FBA. Then all you need to do is focus on getting sales. In this article, we will talk about the main two types of Amazon FBA businesses. (there is one other type is completely different that I covered in this article: Retail Arbitrage). Invent a product from scratch. Get it professionally designed and manufactured. Then work your arse off to try and convince people that they really want it and will buy it. This is the approach I follow and is documented for the table tennis bat cases in this post. It's a lot of work and you run the very real risk of discovering that people don't really want whatever you have invented. Reinvent/improve on someone else's product. Simply find a not very good item that is selling well and create a better version of it. There are hundreds of items on Amazon that are just rebrands of readily available white-label products. You can even find the same factory that makes the original item and get them to do your manufacturing. As of 2019, this is the easiest and still a very profitable route to take. We will cover this method in this how-to guide. How to Source Your Products We've spoken a lot about Amazon, but there is another global company that is almost as important. Alibaba. Alibaba is a Chinese online wholesale market where factories and distributors from all around the world display their items. Most of these companies will work with you to create and manufacture your unique product. Since Alibaba came on the scene it has got very easy to create a basic Amazon FBA business. Too easy. And has led to Amazon getting flooded with white-labelled products that are straight from Alibaba with a brand attached and a huge price markup. Most of them don't sell well, but there are plenty that do. Here's an example. The only difference between the two is the adding of a brand name… and the price increase. You can buy them in bulk on Alibaba, branded with your own brand for between $1 and $7 each (depending on how many you purchase and how good you are at negotiating), and people are buying them on Amazon for £16.95. Even with all the fees and costs (which we will talk about later), that is still a very good profit margin. Now I can't be 100% sure that it is the same factory that makes both of them. But it doesn't really matter. Provided the factory is able to make us a better version, then we're in business. Now that pest repeller looks pretty low quality, but you can also find very high quality, well-respected brands on Alibaba. The next images are of a very popular supplier of boxing gloves on Amazon and Alibaba. On the Alibaba factories' website, they describe themselves as: "the official supplier of 'RDX' one of the world's leading fitness brand, along with many other brands.". I am not suggesting that you should try and create fake RDX gloves. That would be unethical and also bad business – it wouldn't take long before you were shut down. But I am suggesting that if you can come up with an improvement to the boxing glove, you could legitimately contact that factory on Alibaba, get your own unique boxing gloves made, add your own branding and start competing with RDX. Getting a really good idea for a product can take quite a bit of time and research, and is worth not rushing. In fact it is a full topic in its own right. You can check out my in-depth guide here. But in short: How To Do Market Research On Amazon To get an idea of what is selling and for how much I use a market research tool called Jungle Scout. It is a deep search tool for Amazon that compares each listing with its own data to work out how much your competitors are selling a month. It costs $69 a month for the web app version (EDIT: Now reduced to $49 a month) and you can cancel it once you've chosen a product. My most recent Amazon FBA business is selling gin (Warning: I don't recommend you start with something as complex as alcohol), here are some real screenshots I took from my own market research: You can see that it includes a lot of the information that would be useful for finding a product that is selling well with not great reviews. And here is the niche hunter for going deeper and looking for keywords. It seems that there is a gap in the market selling strawberry gin: There is more to finding a good product (size, weight and price is also important), but we don't need to go into that much detail right now. If you're interested you can bookmark this post and come back to it later. Getting Your Stock From Alibaba to Amazon FBA The final piece of the puzzle to setting up an Amazon FBA business is how you get your stock in bulk from the factory to the FBA warehouses. On the surface, it can be very complicated. Every country has different customs processes and Amazon have some pretty complex requirements for how they need your items to be delivered. Thankfully there are plenty of companies that deal with all the hassle for you and make it really easy, they are known as freight forwarders and customs brokers. I recommend Flexport. They are funded by Google, have a really good online interface and due to the transparent price comparison service, are cheap. The steps are fairly simple: The factory delivers the stock to the Flexport freight forwarder. The freight forwarder gets the stock into your destination country and deals with all taxes and paperwork. The freight forwarder hands the stock over to the Amazon partnered couriers who books them into the FBA warehouses. Simple eh? Well that's the basics of an Amazon FBA business: Find a factory on Alibaba. Open conversations with them and design your product. Get a large batch of the item manufactured. Use a freight forwarder such as Flexport to get the items from the factory to Amazon. Get marketing and sell your items. Now let's dive into the nitty gritty. Pricing If you have done some browsing on Alibaba, you may be a bit shocked at how cheap the factories are selling wholesale quantities of their goods for. Unfortunately, it's not quite as simple as taking the price you sell it for and minusing the price you paid, There are a lot of costs to include. I am talking about pricing and margin early on because it is so important. You can't start talking to manufacturers until you know how much margin you need. Luckily Amazon has a handy calculator that you can use for most of the costs: Just find an item similar to yours, or enter in your product's dimensions. On top of these costs, there are a few other ones you need to add in manually. The price of the item. Shipping to the country. Tax and customs charges. Delivery to the Amazon FBA warehouses. You can talk to Flexport and the Alibaba factories to get all these costs. A typical example might be: You expect to be able to sell the item for $16 It costs $4 per item to buy. Shipping is $1 per item. Tax and import duties are $0.75 per item. Delivery to the FBA warehouse is $0.2 per item. FBA fulfilment fees are $3.05 per item. Amazon closing fee is 15% of sale price, so $2.4. Your profit is $4.6 per item. That is still a good margin and provided we can get sales is a good Amazon FBA business. Because of the way the Amazon fees work, your ideal product will be: Selling for between £15 and £50 ($20 and $70). Small and lightweight. Simple and with not too many moving parts. And of course, an item that people want to buy. As mentioned earlier, finding the best products to sell on Amazon has it's own whole post here. In short, there are a few great tools that can help you research the ideal product. JungleScout is probably the best and most popular. Working out your exact real profit is hard and so many people choose a tool to monitor it for them. Seller Spike is my favourite and is run by a friend of mine from university. Use coupon code SAM10 for 10% off your Seller Spike subscription for life. Seller Spike tracks all your products from initial purchase to final sale and works out your exact profit. It's not necessary but if you are worried about getting your number right is very useful. And once you have a few products and are spending on advertising it is pretty hard to live without. Once you understand how the margin and fees work, the next step is to start chatting with some manufacturers. Finding A Manufacturer I suggest talking with as many factories as possible. With Alibaba it is so easy, just use the search bar for whatever you are looking for and click "contact supplier" next to the companies that look interesting. When searching add the word 'OEM' to the end of your search. For instance "Flashlight OEM". It stands for 'original object manufacture' and should filter out all the re-sellers and give you the factories that actually manufacture the items. You might as well shoot off the same message to lots of different factories and then play them off against each other. The factories know the value of even a new Amazon FBA business and will want to work with you. It is very hard to describe what I look for in a good factory beyond "a good feeling". I think it comes with practice. I suggest that once you have spoken to them, try having a chat over Skype. If their English is so bad you can't really communicate, then it is probably not going to work out. Once you have narrowed down your search to your favourite 3 or 4 factories, ask them to send you out a sample. Some places will send you one for free, others will charge you but then take the cost off any large order you eventually make. A few will ask you to pay full price. Once you have samples from a couple of factories you are happy with, it is time to move onto the next step. Prototyping Now remember, we are not just looking to re-sell their products. We want to improve and customise them. This process can take quite a long time, but it is worth getting right. If you can get the designs done professionally, that could really help to really speed the process up. You can hire a freelancer on Freelancer to help you. Or you can make amateur suggestions and ask the factory to turn them into products. Here are some designs we made in Microsoft Paint for our table tennis bat cases. One of the keys to an Amazon FBA business is keeping costs as low as possible. So make sure to think through what is the best use of your money. During this design phase, you need to incorporate a barcode. A barcode (or UPC code) is a series of digits that is unique to your product all over the world. There are plenty of websites where you can buy barcodes, this is the website I use. Once you have the perfect prototype it is time to get them manufactured. Negotiation and Manufacturing Although I hate negotiating, on Alibaba it is a requirement. You can often get 40%-70% off the asking price. As it is so easy for customers to price compare a lot of factories are starting to realise that they can get more business by opening with their best price. But I think it will still be another few years before you don't need to negotiate. You may be great at haggling and love competing for the best price. If on the other hand you're more like my, here are my thirty seconds on negotiating on Alibaba. There are a few things we really care about: Minimum Order Requirement. Price. Lead Time. At the beginning, the first one is the most important. You may be able to get a great deal if you order 10,000 items, but that would be crazy for a new product you haven't tried to sell yet. If no-one buys it you're left paying storage on 10,000 items! I recommend starting with about 500. On lead time, sometimes the factories can take months to create your product. If you're just starting out you may well be willing to sacrifice a bit of margin to get your products to Amazon quicker. If you have a few different good options for manufacturer you can play them off against each other on choose the best deal. The only other thing I would say about negotiating is: don't burn your bridges. The first manufacturer may turn out to be a dud and you may want that second one. So even if you don't go with them, leave the option open for future business. When you finally give them the go-ahead, make sure to request that the items are packaged together in the same size cartons. This will be important when organising the final part of the delivery to Amazon. Freight Forwarding, Customs & Prep Centres I've already mentioned that Flexport or another freight forwarder will do most of the work of shipping and customs for you. They're generally good enough that I don't need to go into much more detail. Except to talk about shipping options. You have the choice of sending your stock by ship or by plane. A shipment from China to the UK or the USA will take 6-8 weeks. By plane, it will take less than a week. But plane will be about five times more expensive. If I am running low I will fly in some emergency stock, but the majority I send by boat. On your initial order you could always send a small amount, say 60, by plane and the rest by boat. That way you can be up and selling much quicker. Your freight forwarder will be able to deliver directly to Amazon FBA, but some people decide to add an extra step here and send their stock to a mid point warehouse. Sometimes called a prep centre. This will be run by a different company and can add some benefits: Cheaper long-term-storage – Amazon FBA storage fees go up very quickly for stock held with them for more than three months. Quality control – to make sure that nothing was damaged during transit. Fulfilled by merchant – you can also use them to deliver orders that were made outside of Amazon or when there are unpredictable problems at Amazon. You don't need to use a prep centre and most people don't because they don't think the advantages outright the extra work required. It's hard to recommend any one company for this as they are often smaller businesses who can't deal with too many customers. Currently, I am hearing good things about Verde Fulfilment as a US option. Amazon and Amazon FBA Once your shipment has landed in the destination country you need to get it to the Amazon warehouses. But first, you will need to create an Amazon account. I strongly suggest creating the account before you start manufacturing. It is free to sign-up as an 'Individual' Amazon seller in most countries and anyone from most countries can do it. India is the only exception that I know of, there you need to have an India-based business to register. I suggest starting with just one country, the one you are most local to: Amazon UK (includes Germany, Italy, France & Italy). Amazon USA (includes Mexico & Canada). Amazon India (you need to have an Indian based business to sign up) There are two types of Amazon accounts. Individual and Professional. Individual is free but you pay an extra fee per item sold, you also have access to less analytics. Professional charges a monthly fee. Both can be used with Amazon FBA, so I simply suggest signing up for an individual account and upgrading once your sales hit the threshold where the professional account is cheaper. Creating the Listing on Amazon Once you have finished creating your account. From the homepage navigate to the inventory tab and select "Add a Product". Select "Create a new product listing". Then select the most relevant category. You will then be taken to the details page of your new product. There are hundreds of fields, but most of them you can safely ignore as they don't really add anything. Make sure to fill out: Under 'Vital Info' Item Name. I like to include the brand name here as well as it it is what the customer sees when searching through Amazon. e.g. "Awesomo Fly Swatter Mk2″ Brand Name. This is your Amazon FBA business brand. e.g. "Awesomo" Recommended Browse Node. Product ID. This is the UPC number that you purchased when designing the product. It is the unique barcode. Under 'Offer' Your Price. Condition. Fulfilment Channel = 'I want Amazon to dispatch and provide customer service for my items if they sell.' The fulfilment channel is important. This is where you tell Amazon that you want to create an Amazon FBA business and have Amazon handle your stock and customer service for you. Under 'Images' Images are very important. Make sure you have someone take some professional looking photographs of your item. Under 'Description' Make full use of this page and make your product sound as appealing as possible. Keywords Enter a few alternative words that people might search for your item. For instance, if you are selling a pest repeller they might also search for 'bug repeller' or 'mosquito repeller'. And that's all you need. Now click 'Save and Finish'. Sending Stock to Amazon FBA Provided you selected that you want Amazon to fulfil your items, you will next be sent to the 'Send/Replenish Inventory' page. Just follow the instructions. At some point, you will be asked for some more details about your item, including the proportions and weight. Every product sent to Amazon needs to be labelled with a label that is unique for the item and shipment ID. This is an internal barcode that Amazon uses to track and manage inventory. You can either get your freight forwarder to do this or pay Amazon to do it. I've found that the freight forwarder is normally a cheaper option, but there's not much in it and it is more work on your behalf. To get them to do it you need to negotiate it as an added extra, then download and send them the PDFs of the labels. Once you have clicked through all the steps you will have a chance to review and accept the shipment. Once it is created select 'Work on Shipment' to tell Amazon how it is going to be delivered. The easiest way is to select 'Small Parcel Delivery' and choose the 'Amazon Partnered Carrier'. Remember how we made sure that all the cartons sent by the factory were of the same size and weight? This is why. By using the 'Amazon Partnered Carrier' (which is UPS) you will pre-pay for delivery based on the number and proportions of the boxes you are sending. Amazon will then generate you a pre-paid label in the form of a PDF file. Just gives these PDF files to the freight forwarder, they will attach them to the cartons and give them to UPS. Next thing you know your stock will be at Amazon. And that's it… once your stock arrives your Amazon FBA business will be live and people will be able to buy and receive the items without you even having to be told about it. Well not quite. If you just leave it, no-one will buy your product. The final step in the puzzle is also the most difficult. How on earth do you get people to buy your items? Marketing EDIT: I have now written a large 4,000 word article covering everything I know about marketing your Amazon FBA products In my experience, I have found the best way to get decent sales for a new product on a new Amazon FBA business is to do a short sharp burst and try get as high up as possible on the best-seller rankings. Once there the Amazon algorithm will start showing the item to people searching on the website. Let me explain. When you start a new Amazon FBA business. You have zero reviews and zero sales. You don't even have an Amazon seller ranking. There is no reason for the customer or Amazon to trust your product is any good. Amazon has a secret formula that determines what shows up when people search for something. It's secret but we can take a guess at how logically it could work. It is known as the Amazon Search algorithm. Let's pretend that I am the Amazon algorithm, and it's my job to choose what we show people who are using the site. Imagine someone searches for a teapot. How do I choose from the hundreds of teapots which ones to show the user? Well, I think my first instinct would be just to rank all the teapots on Amazon by how well they're selling. Put the best-selling one at the top and the worst selling one at the bottom. But that's a bit too simple. What happens if the best selling teapot is just a big brand name that is rubbish but they are spending a lot on advertising? People are still buying it but they are giving it bad reviews. Ok, so ratings are important too, let's take that into account. Perhaps I show a better-reviewed teapot higher than a teapot that has slightly more sales. But that's also too simple. What about a teapot that only has one review. Even if it's a 5-star review I can't show that higher than a teapot with 100 4.9 reviews. Ok, so I weight the rating in some way by the number of reviews. But what if there is some new teapot technology out and the best-selling teapot is behind the times? It still has all those good reviews. And it is still the best-seller. But it is unfair because it has been around so long that it would take a new better teapot years to get the same number of reviews. Ok now I am going to take into account momentum. An item that has only been around a few weeks but is getting a lot of sales and good reviews I will show in a high place. Ahh. Now we're getting somewhere. We have no idea how exactly the algorithm balances these factors, but we can be pretty sure that it favours: Sales, good reviews, many reviews, and momentum. A brand new Amazon FBA business with no reviews and sales is not going to be shown to anyone. A brand new product that has a lot of sales in the first week and a lot of good reviews is going to be shown to people. It is our job as a new seller to get as many new sales and reviews as possible in a short space of time. We need that momentum to start showing up organically on people's Amazon searches. The simplest ways to do this is by: Asking all your friends and family to buy and review your product. Hosting a competition/giveaway. Send free samples to professional & amateur reviewers. Paid for advertising. Asking previous customers to review your products. How To Get Reviews On Amazon I have added this part in to expand on that final bullet point as it is what I get emailed about most. One of the hardest parts of running an Amazon FBA business is getting and managing reviews. Because 95% of people who buy on Amazon never leave a review. You need to either convince to 95% to make an exception and leave one, or get more customers from the 5% who do review. The best long term way to getting reviews is to convince your real customers to write them. But Amazon is very strict on how you can interact with your customers so you have to be careful. Here are some ideas. 1 – You can email them using a service like the Jungle Scout Web App (which you'll probably already own by this point): 2 – You can use Amazon's "Early Reviewer Program" to help get your original five reviews. 3 – You can try and court super reviewers on Amazon who review everything they buy. But the best way to get reviews is to be creative and think of an approach no one else has come up with! Once you have the marketing for your Amazon FBA business down and have conquered your own country, it's time to expand: Expand to eBay Amazon is a big marketplace, but why limit yourself to just there? With Amazon FBA you can sell products in lots of different places, including eBay. I use Joe Lister. A tool that recreates all your listings from Amazon FBA on eBay. When you get a sale it automatically fulfils it using Amazon FBA. See the screenshot below. Orders come in on eBay, they are copied to Amazon and delivered to the customer. It then writes a review on the buyers account. Completely automating your selling on eBay.   Expand to Different Countries Once you have started to rank in one country it's time to expand and do the same in others. The great thing is that with the central accounts of the UK and USA you can expand your selling to a bunch of other countries with just a few clicks. For instance, with Amazon UK you can cross-list your items on Amazon Germany. When a customer buys your item in Germany it will be shipped to them from the UK FBA warehouse. Amazon even provides a translation service so that your listings will be spelt correctly in the target language. Congratulations! You now have a multi-national global Amazon FBA business. The only extra problem is that you need a bank account in each currency to receive your earnings or else Amazon will convert your income at a high exchange rate fee (predicted to be about 3%). Luckily we can get around this problem with virtual accounts. World First is the most popular option. They will create a virtual account in all currencies you are selling in which you can use however you want. You can transfer FX between your different currency accounts for 0.5%, so a lot cheaper than Amazon. I've been using them for a long time and they have created a discount code for World First for anyone I refer. Just click the link and sign up. Then when making your first currency transaction of $1,000 or more enter voucher code 'PGL – FREEFX' to get free fx transactions for your first two months. Expand to Different Products Now you are selling strongly everywhere. Time to move on to a new product and start the whole process again. Except this time it should go much smoother and easier. Amazon FBA Courses All the information you need to start an Amazon FBA business is available for free. Yes you heard that right, there are no secrets hidden inside Amazon FBA courses and many people are creating huge Amazon businesses without using a course. But that doesn't mean that courses can't be useful. They provide curation, accountability, mentorship and community. All of which will increase your chances of creating a successful business. Previously I have held back from recommending a course because I want to encourage you to do the research yourself. But recently I have been contacted by a few readers who have been conned and bought terrible courses. So we tested 23 different courses to find the best. If money is no object (over $15k to invest in your business), go for the excellent but expensive Amazing Selling Machine at $4,999. If you are on a budget (under $5k to invest in your business), go for the Proven Amazon Course at $499. Both courses have a 30-day moneyback guarantee. So if you are not happy in any way make sure to get your refund. You don't need to buy an Amazon FBA course. But if you do please be careful and buy one of the above as there are a lot of conmen out there. VAT and Taxes International taxes get hugely complicated and are really beyond the scope of this article. They shouldn't put you off though as most of them only apply once you have grown to a certain size. If you want to learn more I have written a complete guide to VAT for Amazon sellers. Where To Learn More? Well that's it for this post, I will write a recap below, but if you want to learn more in the meantime here are some more articles: Recap Ok. So that was long and complicated. Let's quickly recap the steps to setting up an Amazon FBA business: Decide on a product idea. Find and open communication with relevant factories on Alibaba that manufacture similar items. Request samples and then commission prototypes to be made. Purchase a barcode. Start manufacturing. Use a freight forwarder such as Flexport to get your stock to the target country and through customs. Open an Amazon Seller Account and create your listings. Create a shipment on Amazon FBA and pre-pay for shipping. Give your freight forwarder the pre-paid shipping labels. Start marketing. Phew. That was a long post. I think I have covered pretty much everything but if I have missed anything out then please drop me an email. I get quite a few emails and don't have enough time to reply to all of them, but I will do my best. I also do a tiny bit of consulting at $200 an hour. You can schedule a call with me through Clarity. It could be specifically on Amazon FBA business, or on anything else I talk about on this blog. Cover photo courtesy of Intel Free Press Discover how you can start your own online business – enjoy consistent monthly income and endless opportunities to grow…Are you looking for the right opportunity to start a product-based online business?You may be finding it overwhelming to decide on the one idea that's right for you.Maybe you are concerned that starting your own company will cost you tens of thousands of dollars in inventory, advertising, and employees.But what if there was a way to take logistics, technical setup, and storage off your plate?Fulfillment by Amazon (FBA) has been on the rise since its introduction in 2006 and is projected to grow even more over the next few years.Amazon FBA allows business owners to run their shop on the largest online shopping platform worldwide, without needing to store or deal with orders themselves. All you need to do is select the right products, create compelling listings, and guide traffic to your shop.Sounds simple enough, right?Still, it can be overwhelming to figure out how to get started – from putting together your product portfolio and registering your business to setting up your account and getting eyes on your products.Thankfully, this guide provides all the information you need to successfully start your own Amazon FBA business with confidence.Inside, you'll discover:The 7 most important steps to start, run and scale your Amazon FBA businessHow to choose the right legal structure and register your businessThe secret to a perfect listing: How to write compelling product descriptions that draw customers to buy immediatelySetting up your Amazon FBA account: What you should know before getting startedHow to find your niche: Determine the most profitable products for your shop and audienceThe importance of great reviews: How to offer the best possible experience to your customers and get them to write about how awesome you areGrowing your business: Know the trends, offer premium service, and become an internationally successful Amazon sellerAnd much more.Starting your own online business may seem like an overwhelming amount of preparation, work, and second-guessing.But the beginning is always the hardest part. By putting in all the effort now, you'll have an easier time managing and growing your business in the future.The industry is growing by the minute. If you enter today, you will be able to take advantage of the huge growth the platform will experience in the coming years.If you want to skip the guesswork and see results with your Amazon business in just 11 weeks, then scroll up and click "Add to Cart" right now.