



## AMAZON INTERNAL PROFITABILITY AND WHY IT IS VENDORS' FAULT

A common question among Amazon vendors is how to make your account more profitable. Many vendors think they are in the passenger seat while Amazon is controlling the profit, but this couldn't be further from the truth. Vendors have much more control over Amazon's internal profitability than one might think. In fact – it is almost entirely in vendors' hands.

Contact us to learn more about what factors influence Amazon's profitability internally and externally. Also, get some insights on how every manufacturer can avoid and resolve conflicts or make their own account more profitable and the reasons behind weak profitability in terms of cost price, terms & conditions and market prices.

### GET TO KNOW US:

Contact us to talk about  
your brand:

+49 221 17733710  
[info@factor-a.com](mailto:info@factor-a.com)

### WHO ARE WE?

Hi, we are Dept - an international digital agency with more than 1,200 experienced thinkers and doers, which unites one thing: A 100% digital DNA. As an agency we combine creative excellence with a strong understanding of technology and data. This way we are always one significant step ahead of others. We create digital experiences that inspire customers and move companies forward.

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Good Afternoon,  
Let's talk about Amazon's  
Internal profitability!



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# Annual talks at Amazon Might be a pleasure



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Or a pain



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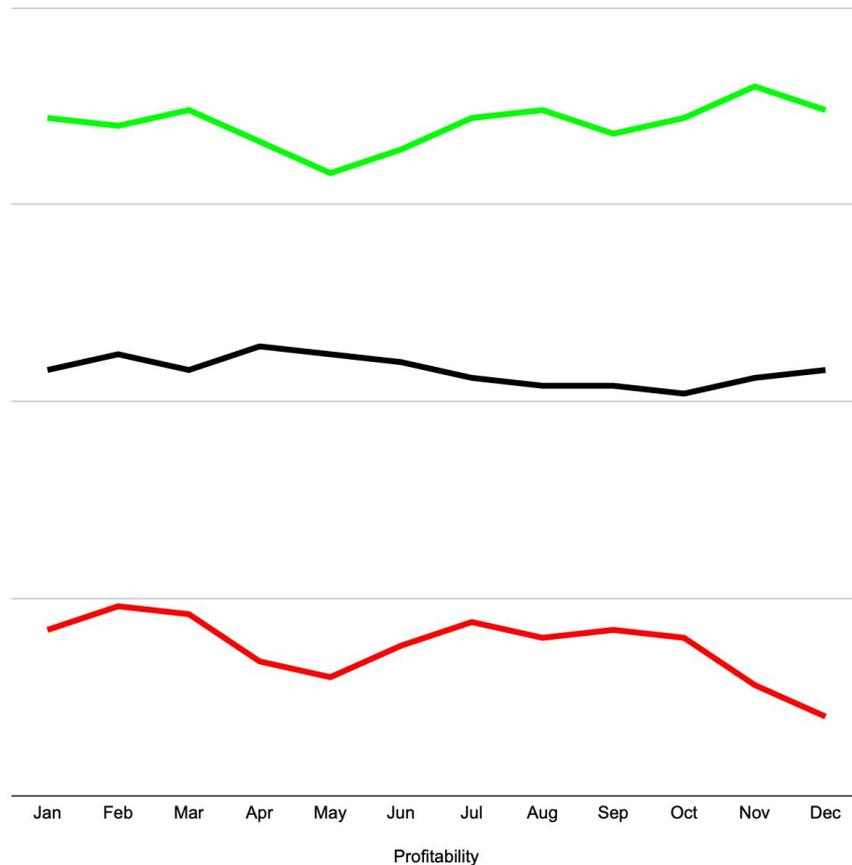
But at some point it always  
Comes to a certain topic...



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## Profitability on Amazon

— Benchmark — Average — YOUR ACCOUNT!



Amazon's view on your  
Account profitability

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## Impact of profitability issues

“Strategic Advice” in Vendor Central

Lost Buy Boxes

Suppressed Buy Boxes

CRAP out

Order stop

Support of competitors

Bossing your selection





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01

**Cost Price**

02

**Terms &  
Conditions**

03

**Market Price**

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Who is responsible???



Is there an overall  
“One click” solution?

YES!

Simply provide Amazon with the  
(by far) best cost prices and  
commercial terms.

On top, establish a global  
selective distribution and hold  
sellers from selling on Amazon.

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THANKS FOR WATCHING

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No no, let's dive into some details...

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01

Cost price



# Cost Price

To be able to support Amazon in terms of cost price you might need a kind of buffer. New Item Setup process is what you should aim for.

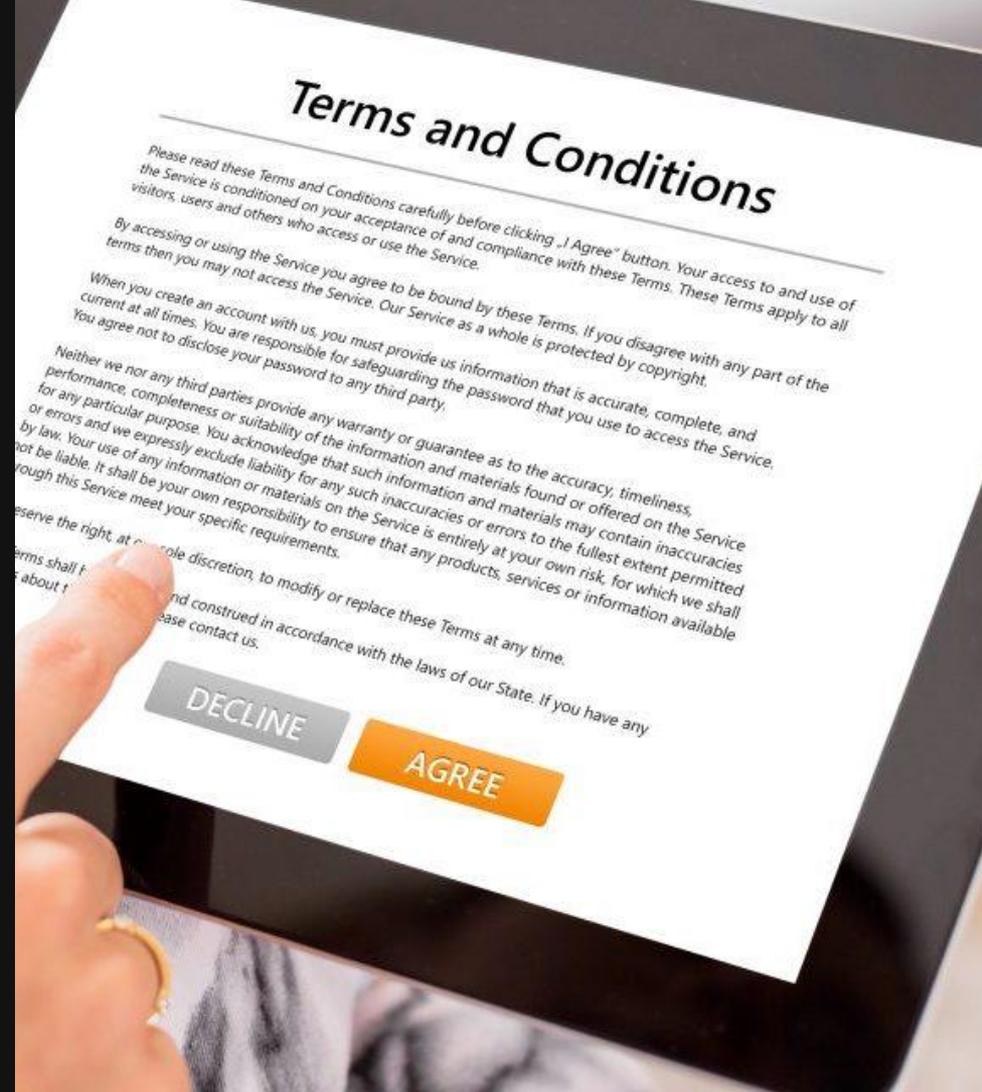
Decreasing and increasing cost prices on Amazon is an asymmetrical experience.

Never, I repeat, NEVER decrease cost prices.

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02

# Terms & Conditions



# Terms & Conditions

There are only a very few terms which can lead to a boost of your performance on Amazon.

Personal goal of Vendor Management is to yearly increase their category terms.

Giving Amazon lower overall terms than other relevant players in the market is one major root cause for profitability issues.

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03

**Market Price**



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**WAIT! Why should I be responsible for...**



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**It is your fault!**



# Pricing on Amazon

In terms of building up and maintaining long-term customer trust, Amazon is guided by the best price for the competition that is relevant to the customer.

Amazon will always follow the best price within this set of competitors

Internal and external

Automatically and often in real time

There is no manual pricing on Amazon except within promotions.

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# External price matching

As soon as possible the only take competitors with huge, relevant competitors into account

Several times a year, the external matching candidates per product line are analyzed and redefined

Decisive factors here include sales, selection, price indices, traffic and growth

Depending on the competitor, different matching models are possible

# Internal price matching

Overall goal: best offer for the Amazon customer

Therefore besides external, also internal Price Matching with 3P

Only so-called Buy Box-eligible sellers are matched

As with external matching, there are different aggressive internal price matching models in terms of profitability and availability

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**Thanks for telling, but  
what shall I do now?**



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# Monitoring

Profitability issues must never be

A surprise

# Research

What is my issue and

where is it coming from?

# Understand

Root causes for profitability issues are

Within your distribution outside of  
Amazon



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# Monitoring

PPM (pure product margin) is your main indicator for upcoming profitability issues

External prices can be monitored through price search engines

Internal prices can also be monitored



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## Research

Understand if influencing factors come from inside or outside Amazon

Identify relevant players

Know all of your profit violating products.

Calculate alternative distribution settings



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## Understand (and accept)

You will find the solution always outside the Amazon organisation

Amazon is just a hygiene mirror of your overall distribution

Changing from 1P to 3P or hiding from Amazon will not solve any root cause





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## AMAZON ROUNDTABLE

FREE

**Theme:**

### **Brand Building**

Netzwerken, Probleme  
diskutieren und  
voneinander lernen.

**16h – 17.30h**  
mit factor-a Experten



**SCAN ME**

**YOU ASK, WE ANSWER!**



**ARRANGE A **FREE**  
SESSION WITH AN  
AMAZON EXPERT NOW!**



**DEPT**