



THE STATE OF THE AMAZON MARKETPLACE 2018

A REPORT BASED ON A SURVEY OF
1,200 AMAZON SELLERS



AmazonSeller



Am

INTRODUCTION

With an 8% increase in competition on Amazon from last year, we can interpret that more sellers are changing their prices more frequently, researching and scouting for new products more efficiently, optimizing their marketing strategy to more closely align with their business goals, and automating business processes in order to focus on increasing profitability.

With Amazon expected to continue its relentless growth, it is important for third-party sellers to keep their finger on the e-commerce leader's pulse. However, it is even more important for them to understand the habits and priorities of the other sellers that they cohabitate with on Amazon's marketplace. This will grant sellers visibility into their performance, identify where they have room for development and improvement, and uncover tools and practices that other sellers are utilizing in order to operate and perform at scale.

We know that it can be complicated to run a successful business on Amazon. At Feedvisor, we are intimately familiar with the cadence of Amazon's algorithm and use the data that we compile to help sellers make smarter decisions to improve their businesses in real time.

"The State of the Amazon Marketplace" reveals pain points, plans for the future, strategies, and growth figures of over 1,200 Professional sellers in an effort to help you evaluate your performance and keep tabs on how Amazon is evolving over time.*

We hope that you will extract the insights that mean the most for your business and use this resource as a reference point for achieving your 2018 goals.



Dani Nadel
CMO & General Manager, Feedvisor



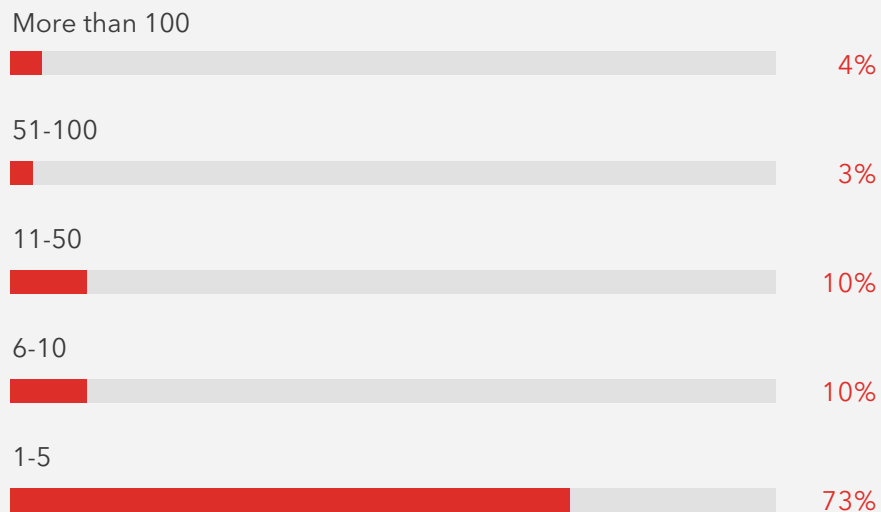
*Numbers may have been rounded up to the nearest percent. The survey was distributed to the same database as 2017.

SELLERS SCALE TEAMS TO MEET DEMAND AND FUEL GROWTH

Last year, 84% of Amazon businesses that were surveyed employed one to five people. However, that number dropped ten percent to 74% this year and the number of businesses with 50 or more employees increased by 5%.

This means that with increasing distribution demands and sales thresholds to hit, high-volume Amazon operations are realizing that they need to hire more employees to keep up with their business pace.

NUMBER OF EMPLOYEES



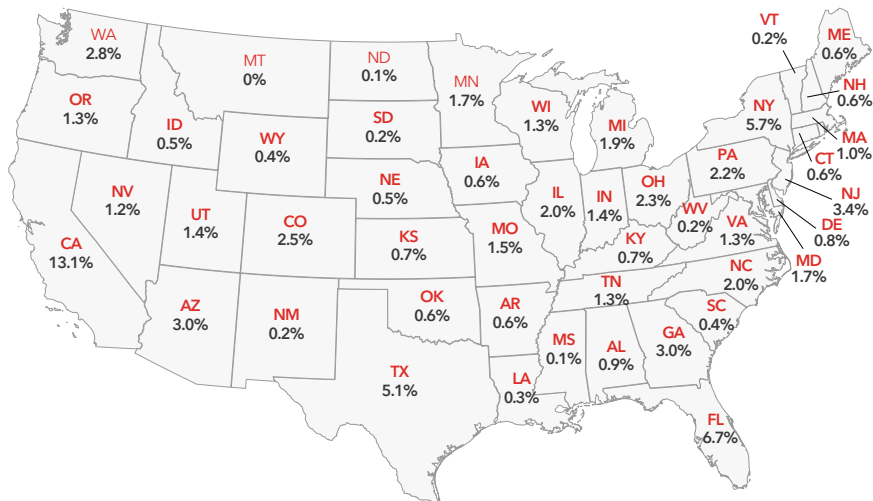
AMAZON SELLERS ARE IN EVERY STATE, WITH HEAVY CONCENTRATION IN CERTAIN AREAS

In the United States, California remains the top state for Amazon sellers, where 13% of survey respondents are based. However, sellers are not confined to one specific region of the country. Other top locations include Florida, New York, Texas, and New Jersey.

Additionally, nearly one-fifth of Amazon sellers that were surveyed are located outside of the U.S., revealing the true global nature of the marketplace.



SELLERS' LOCATION BY STATE



19% of seller respondents are located outside of the U.S.

SUCCESSFUL SELLERS HAVE GLOBAL AMBITIONS

Nearly 37% of surveyed retailers are currently selling outside of the U.S. In addition to this, another 26% plan to expand outside of the U.S. in 2018, revealing that online sellers are making it a priority to increase their businesses' presence and visibility on a large scale.

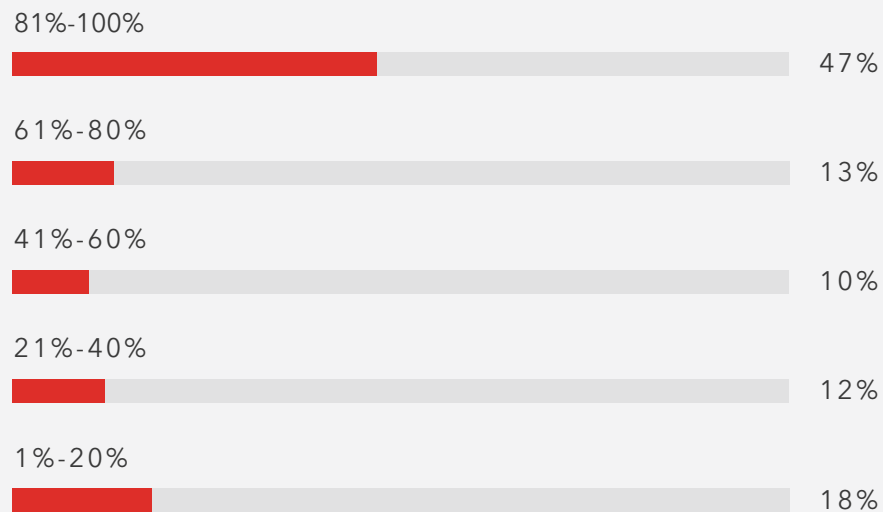
Outside of the United States, the U.S. hosts a large Amazon seller base and is where 24% of respondents are selling from. The runner-up is Canada, which is where 7% of the respondents' companies are based.

AMAZON'S E-COMMERCE DOMINANCE CONTINUES TO GROW

Last year, \$178 billion of revenue went through amazon.com alone, making it the largest e-retailer in the United States, responsible for more than half of e-commerce growth.*

Once again, nearly 50% of our respondents sell almost exclusively with Amazon, with revenue from the massive e-commerce marketplace accounting for 81-100% of their sales.

PERCENTAGE OF E-COMMERCE REVENUE FROM AMAZON SALES



*Source: CNBC



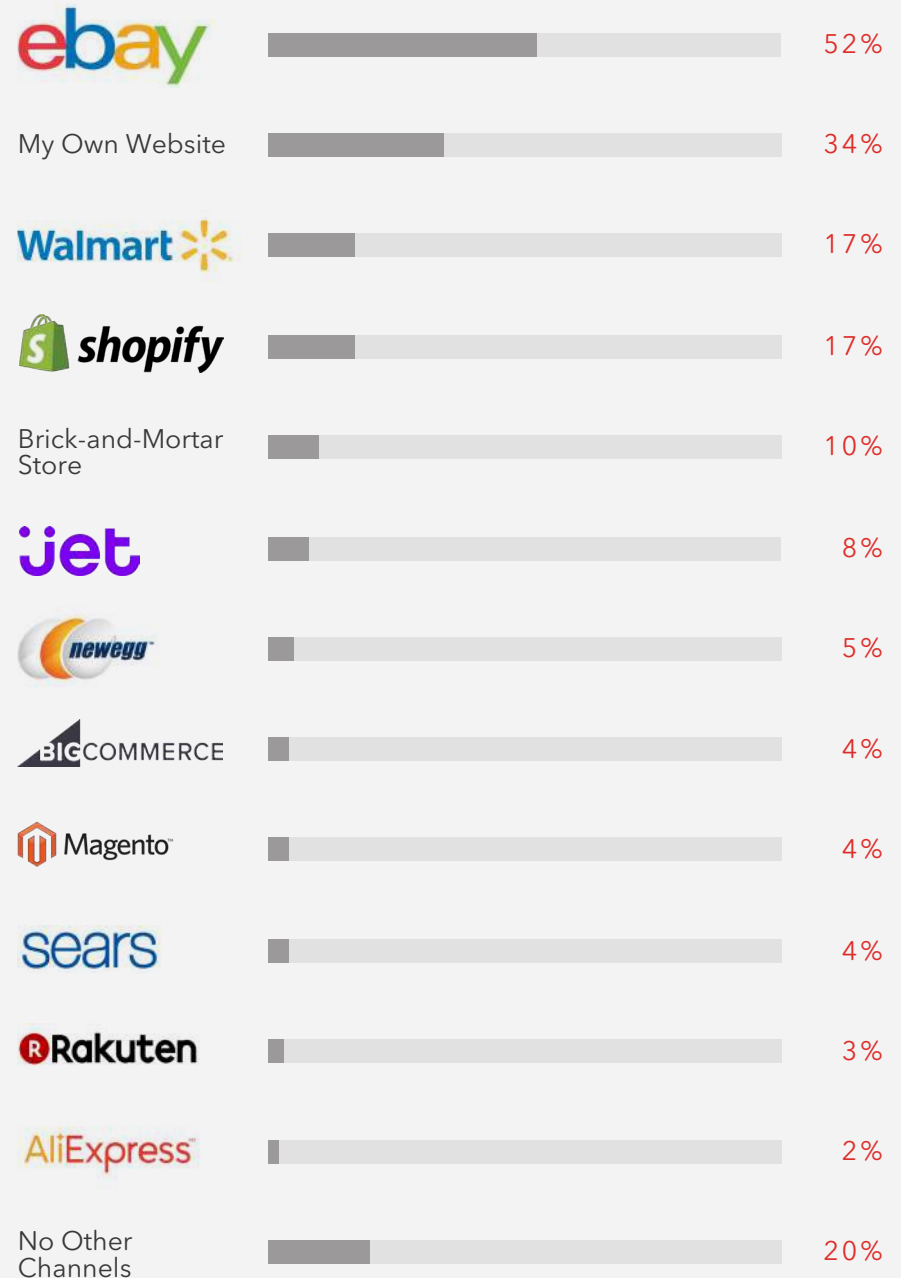
EBAY LOSING GROUND AS TOP CONTENDER BEHIND AMAZON

While Amazon remains the leading marketplace for third-party sellers as it tackles uncharted growth territory, eBay has lost notable ground over the last year. 52% of surveyed Amazon merchants are also selling on eBay in 2018, which is down from 65% in 2017.

Interestingly enough, over that same time period, Walmart and Jet's combined share has grown from 17% to 25% and aligns with Walmart's renewed investment in e-commerce and consumer preferences.

Lastly, respondents that sell on their own website in addition to Amazon decreased from 39% in 2017 to 35% in 2018. This suggests that sellers are becoming increasingly Amazon-centric and shifting away from their personal online storefronts because they simply cannot hold a candle to Amazon and the profitability they experience on the marketplace.

OTHER MARKETPLACES USED BY AMAZON SELLERS



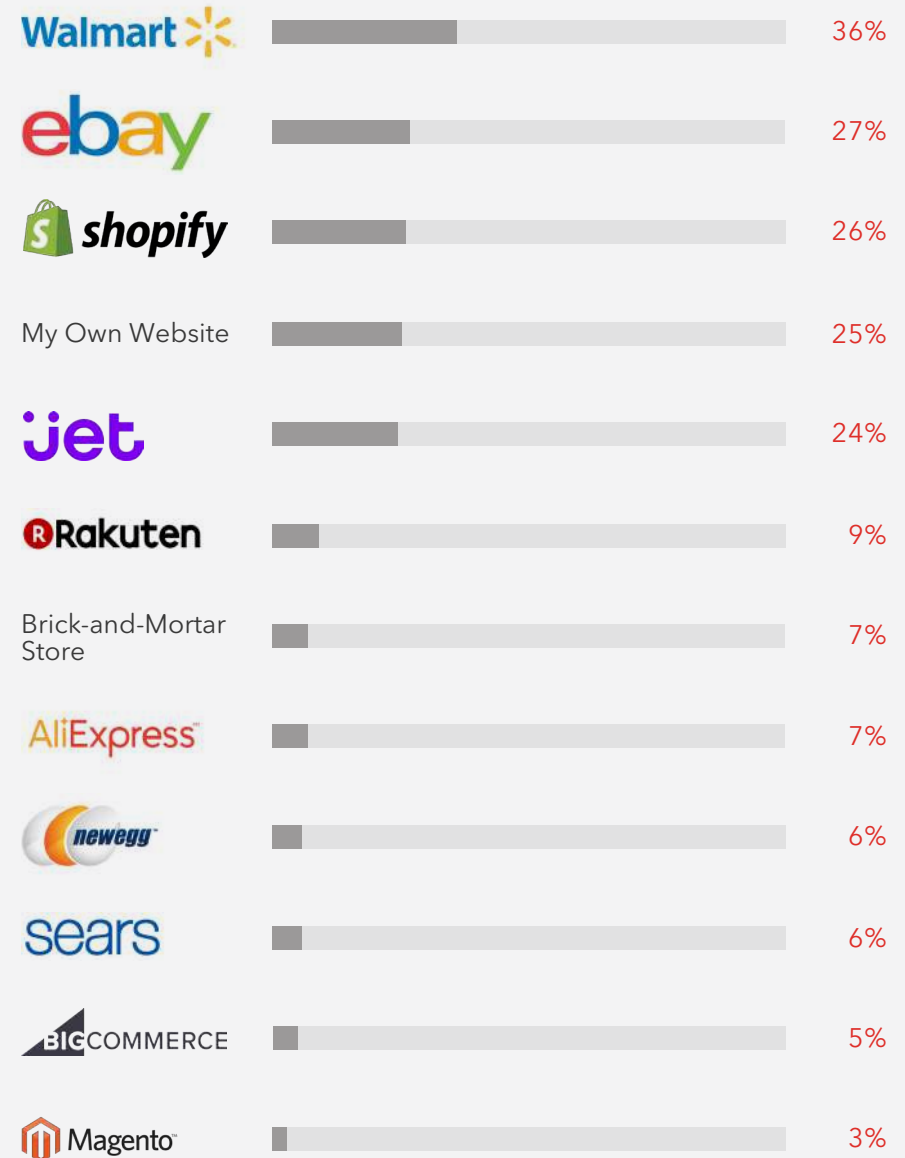


SELLERS ARE EAGER TO EXPERIMENT ON WALMART.COM

With their efficient distribution network and vast brick-and-mortar geographical footprint, Walmart has made exceptional strides since 2017. The company has established even more of a presence than last year, with 36% of seller respondents planning to sell through this channel in 2018 versus 29% in 2017.

Additionally, respondents plan to expand to channels outside of Amazon, such as eBay, Shopify, and their own websites.

OTHER MARKETPLACES SELLERS PLAN TO EXPAND TO IN 2018





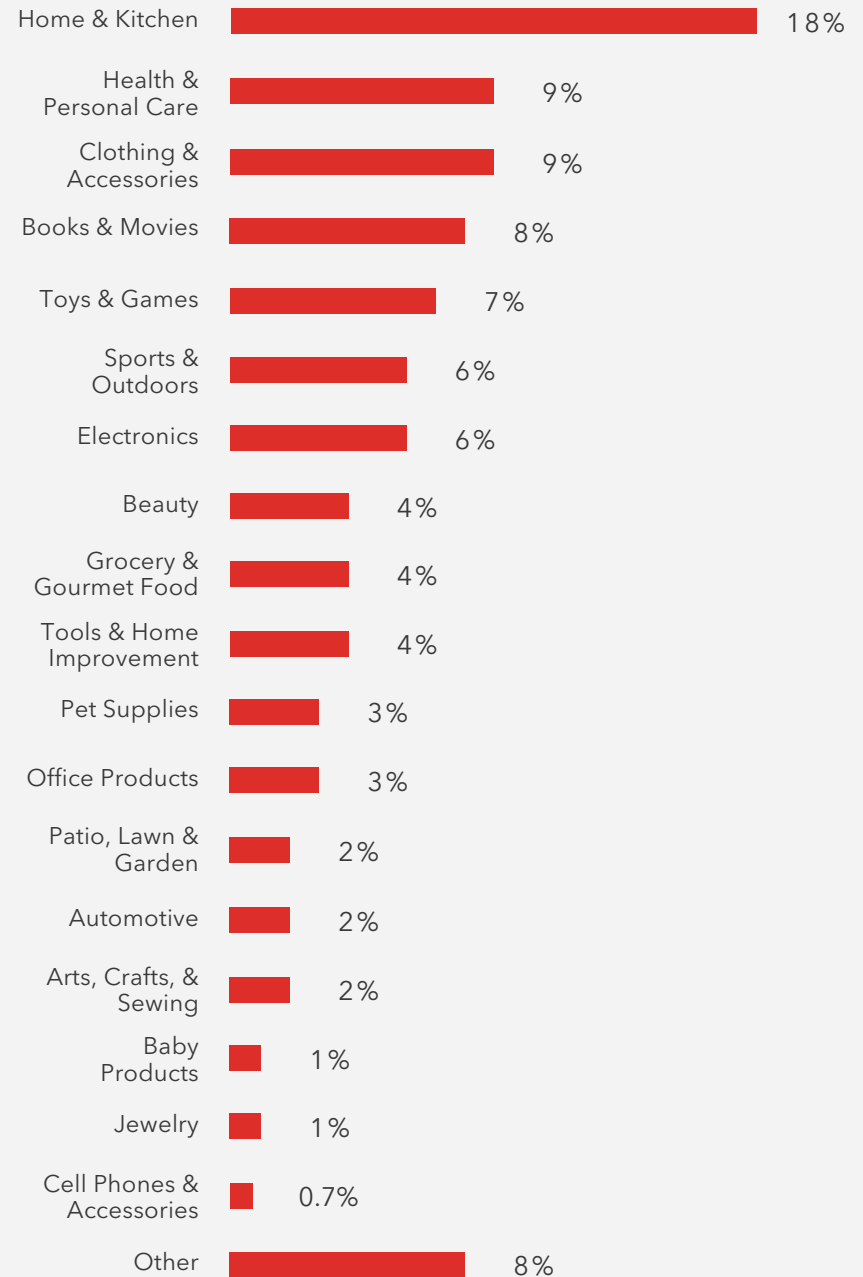
HOME AND KITCHEN REIGNS AS TOP PRODUCT CATEGORY

There is practically no limit to what can be sold on Amazon's marketplace today - there are even certain flammable or toxic items that are approved for FBA in limited quantities.

However, Home & Kitchen items (bedding, bath, furniture, wall decor, cleaning supplies, storage and organization, and more) are the most popular items for survey respondents to sell, with nearly one-fifth of them actively selling in that category.

The Health & Personal Care and Clothing & Accessories categories inched up to tie for the second place position, closely followed by the Books & Movies category, with nearly 9% of sellers engaging in each category.

SELLERS' MAIN CATEGORY ON AMAZON



SELLERS BUILD MOMENTUM IN THE MARKETPLACE

Based on our survey, sellers have become more profitable on Amazon. These merchants take a risk by joining the constantly changing marketplace and – although confronted by sales lifts and drops, inventory challenges, and competition – are finding success amidst the noise.

The ratio of sellers with annual business revenue higher than \$250K has increased. Last year, this category included 28% of merchants and increased to 40% this year, while only 60% of sellers were below the \$250K threshold versus 72% in 2017. All of this information reveals that high-volume businesses are rapidly expanding.

Specifically, the number of lucrative, million dollar sellers has skyrocketed, with Amazon sellers over \$1 million gaining 9% of growth versus last year. The number of multimillion-dollar sellers also increased from last year, moving from 1% of sellers in 2017 to 3% in 2018, revealing that these power sellers have established strategies, tactics, and business processes that have allowed them to increase their profits and maintain that growth as they scale and move forward.



SELLERS' ANNUAL REVENUE





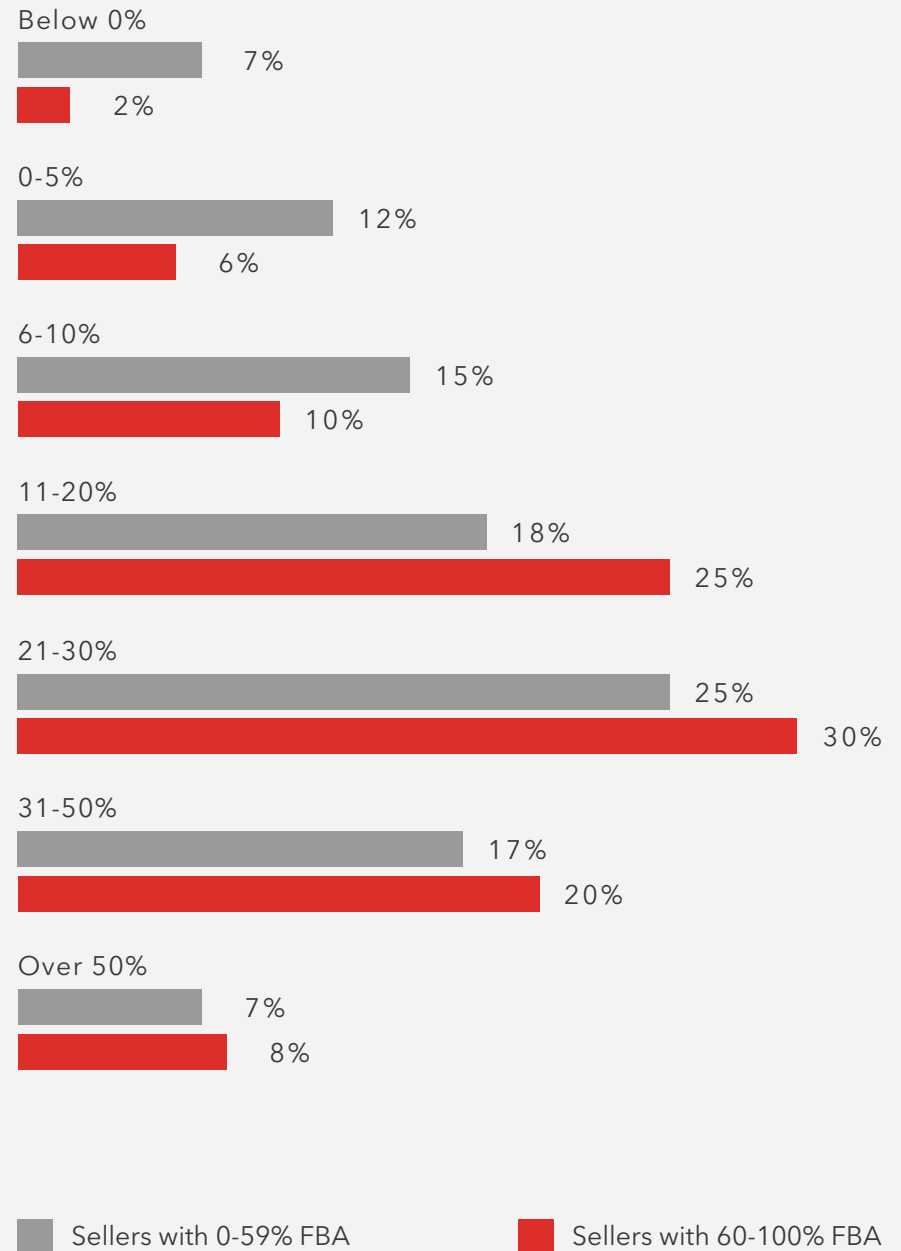
GREATER PROFIT POTENTIAL EXISTS WITH FULFILLMENT BY AMAZON

For any profit margin above 11%, seller respondents that are over 60% Fulfillment by Amazon (FBA) always edge out sellers that are majority Fulfillment by Merchant (FBM).

For example, nearly one-third of sellers who sold at least 60% of their inventory via FBA saw a 21-30% profit margin, compared to 25% of sellers who sold more product on their own via FBM. Additionally, one-fifth of FBA-dominant sellers are experiencing a 31-50% profit margin.

Understanding the profit and potential of your product catalog is critical to e-commerce growth and sustainability. It also helps sellers decide where to invest their resources, roll back prices, and increase advertising spend.

FBA PROFIT MARGIN

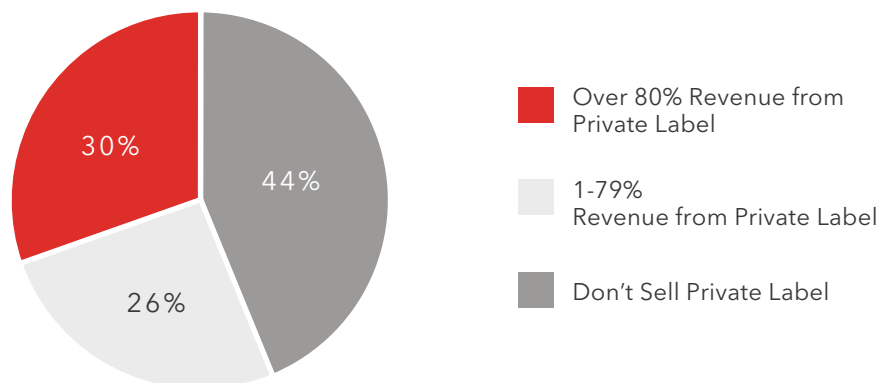


INTEREST IN PRIVATE LABEL E-COMMERCE IS GROWING

Amazon is now selling more than 70 of its own private label brands, with the biggest push coming in the clothing, shoes, and jewelry categories. With the rapid expansion of the e-commerce giant, sellers have observed that private labels are immensely popular amongst millennials who mainly care about two aspects of an item: its quality and its price. Retailers and brands alike are responding by creating their own private label brands.

Last year, 68% of seller respondents did not make any revenue with private label brands. This year, that number dropped to 44% of sellers. With that, we are seeing a dramatic increase in private label selling amongst Amazon sellers year over year. Our data also shows that adding private labels to their product mix is the second highest priority business goal for sellers in 2018, with 38% of sellers selecting it as an initiative.

PERCENTAGE OF SELLERS' REVENUE FROM PRIVATE LABEL

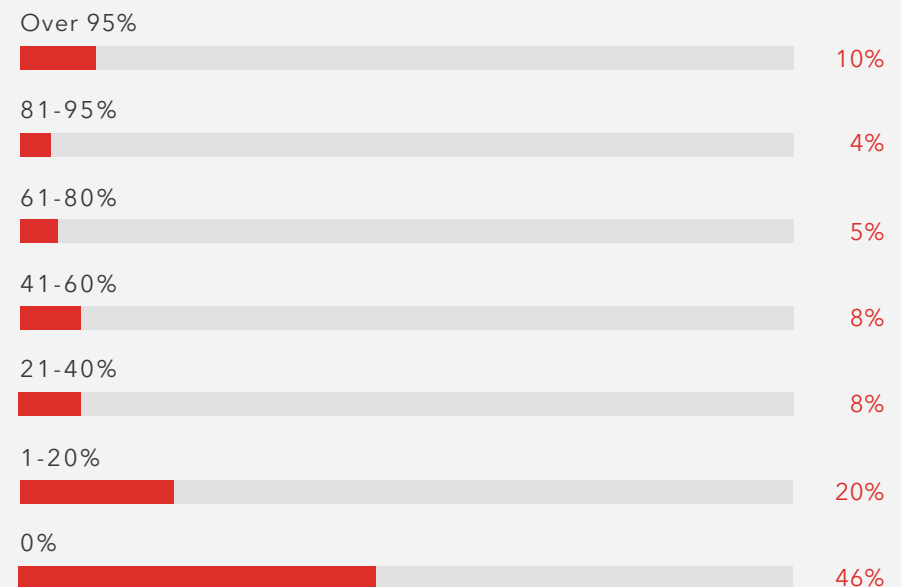


SELLERS ARE HESITANT TO EXPAND THEIR MAP-BASED INVENTORY

For 20% of survey respondents, less than 20% of their catalog are items subject to MAP, or Minimum Advertised Price. This is the lowest price that a retailer can advertise the product for sale.

Given there are penalties for advertising below MAP, and the manufacturer can pull their products from a seller's store and prevent them from selling those items again, sellers are hesitant to expand into full catalogs that are subject to MAP.

PERCENTAGE OF SKUS SUBJECT TO MAP

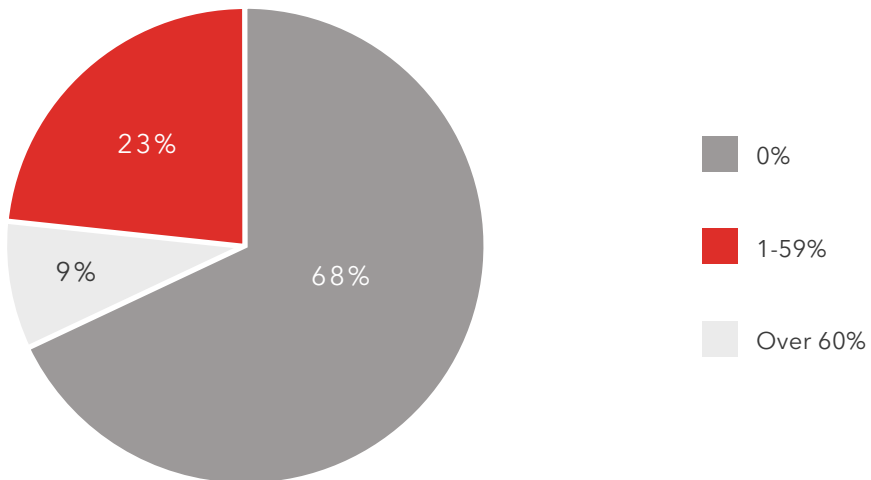


SELLER-FULFILLED PRIME IS A VAST GROWTH OPPORTUNITY

With an estimated 100 million Amazon Prime subscribers today, sellers are eager to gain access to this extensive audience as they are more than twice as likely to shop online daily than non-Prime customers.

Currently, one-third of all surveyed sellers are utilizing Seller-Fulfilled Prime in some form. We expect to see this number increase over the next year as more sellers decide they want to reap the benefits of attracting more Prime customers.

PERCENTAGE OF SELLERS' SKUS SOLD AS SFP





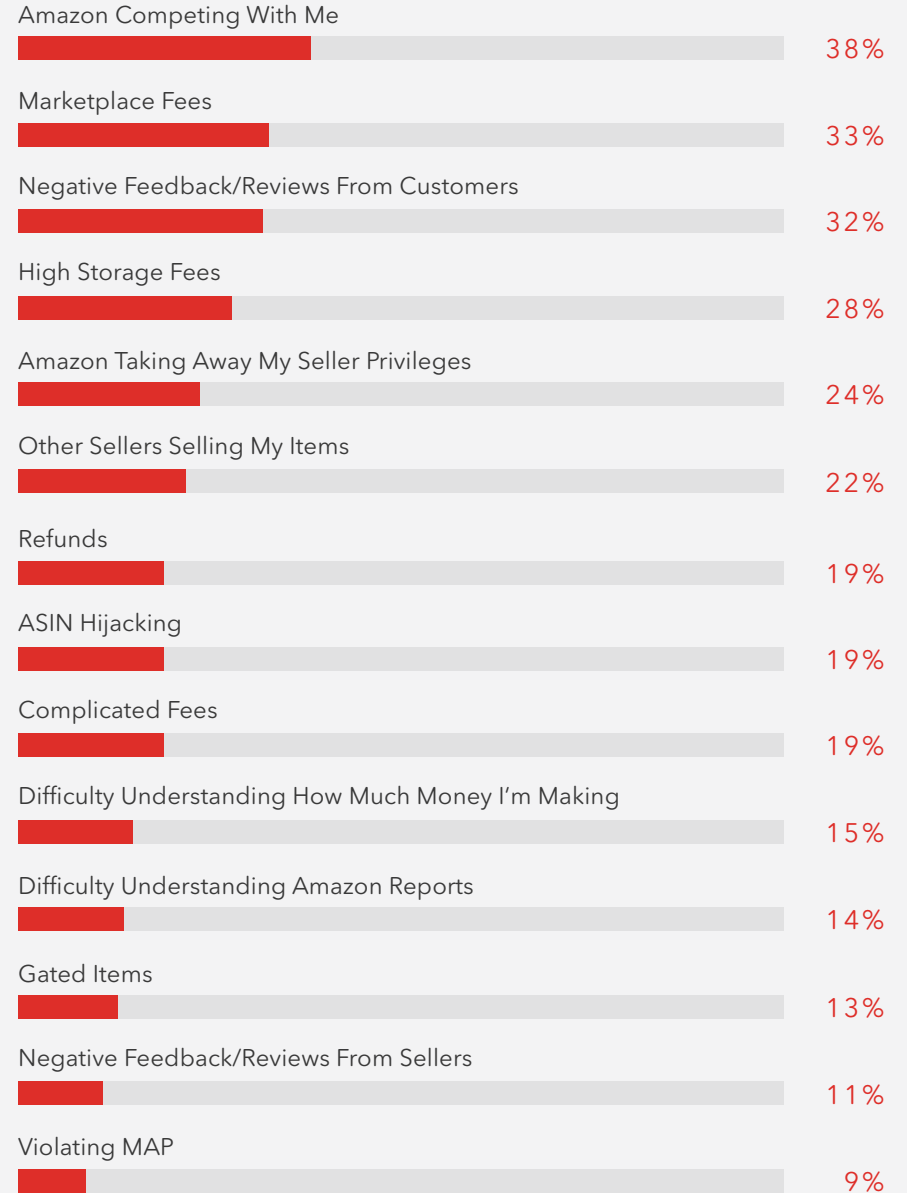
DIRECT COMPETITION WITH AMAZON IS A PROMINENT CONCERN

Last year, Amazon sellers' greatest concern was getting their seller privileges revoked. However, that concern decreased amongst sellers that responded by 28% versus last year.

Taking its place as the top concern amongst sellers (40% of respondents agreed) is competing with the industry-leading behemoth, Amazon, on its marketplace. Competition with Amazon is fierce for both the Buy Box and private label.

This concern was followed closely by marketplace fees, negative feedback and reviews from customers, and high storage fees.

SELLERS' BIGGEST CONCERNS



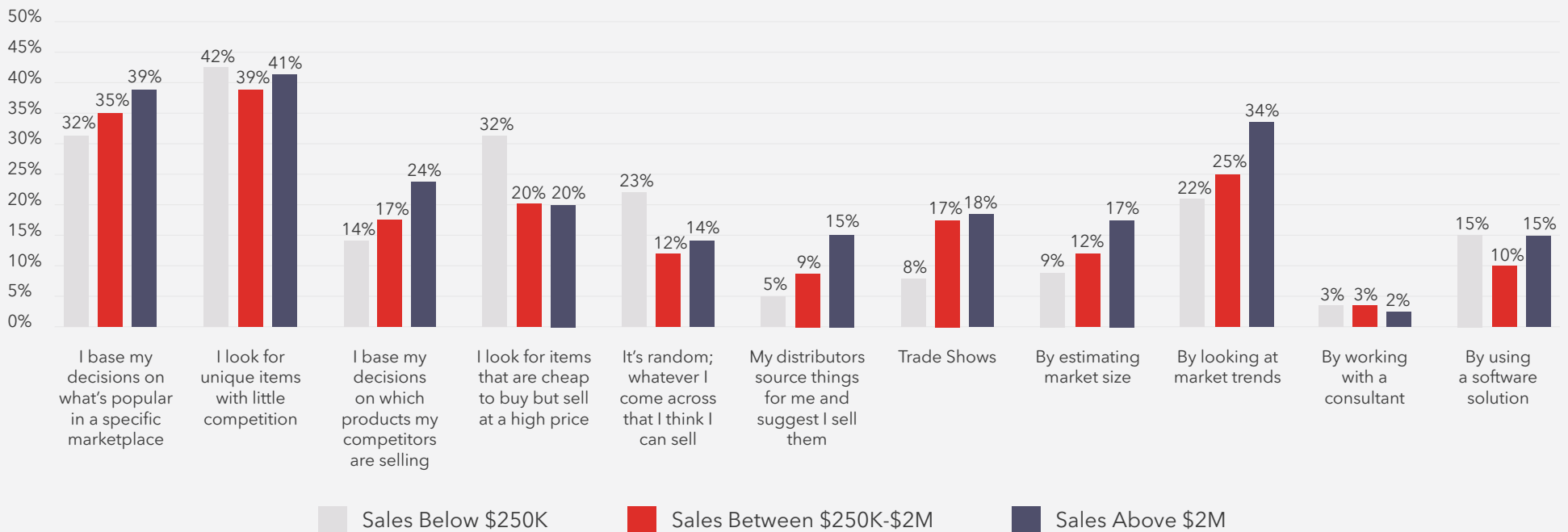
SELLERS ARE LOOKING TO PROVIDE DIFFERENTIATION THROUGH SCOUTING

As expected, how sellers research and scout for new products varies greatly by their size and sales volume. The most popular response amongst a nearly equal number of respondents with various sales volumes is to scout by looking for unique items with little or no competition - which allows them more room to win the elusive Buy Box at the onset.

Surveyed merchants with sales over \$2 million are more likely to choose their products based on what is popular in a specific marketplace, by analyzing market trends, and what their competitors are selling.

On the other hand, merchants selling below \$250K are more likely to look for items that are cheap to buy and sell at a higher price, that are popular in a specific marketplace, or that are random and they think will sell.

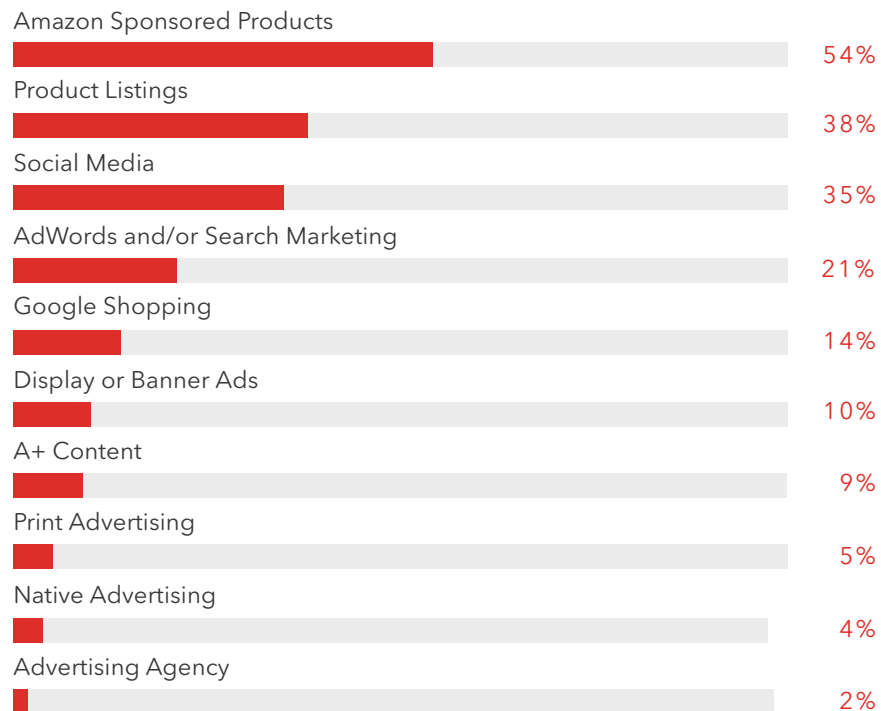
SELLERS' SCOUTING METHODS BY ANNUAL SALES VOLUME



PRODUCT LISTINGS ARE BECOMING A GREATER AREA OF FOCUS

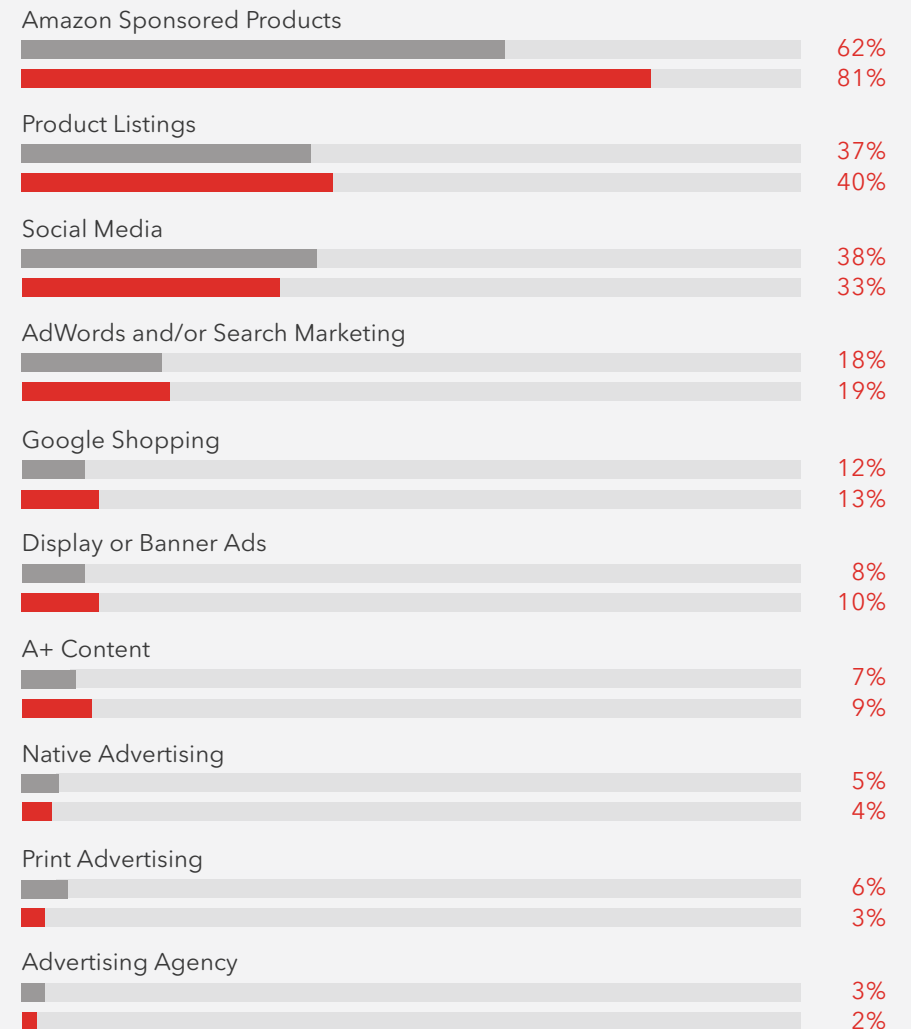
Although more than half of the survey respondents utilize Amazon Sponsored Ads as their main advertising medium, product listings moved up to the number two spot in 2018, with 38% of sellers promoting their products through focused and succinct product listings. For the survey respondents, having accurate, sharp, and attention-grabbing product copy is more important than promoting their items on social media.

SELLERS' PROMOTION METHODS



The popularity of Amazon Sponsored Ads particularly amongst private label sellers is extremely evident. 92% of surveyed sellers that bring in over 80% of their revenue from private label rely heavily on this advertising method.

PRIVATE LABEL SELLERS' PROMOTION METHODS



■ 1-79% Revenue from Private Label

■ Over 80% Revenue from Private Label

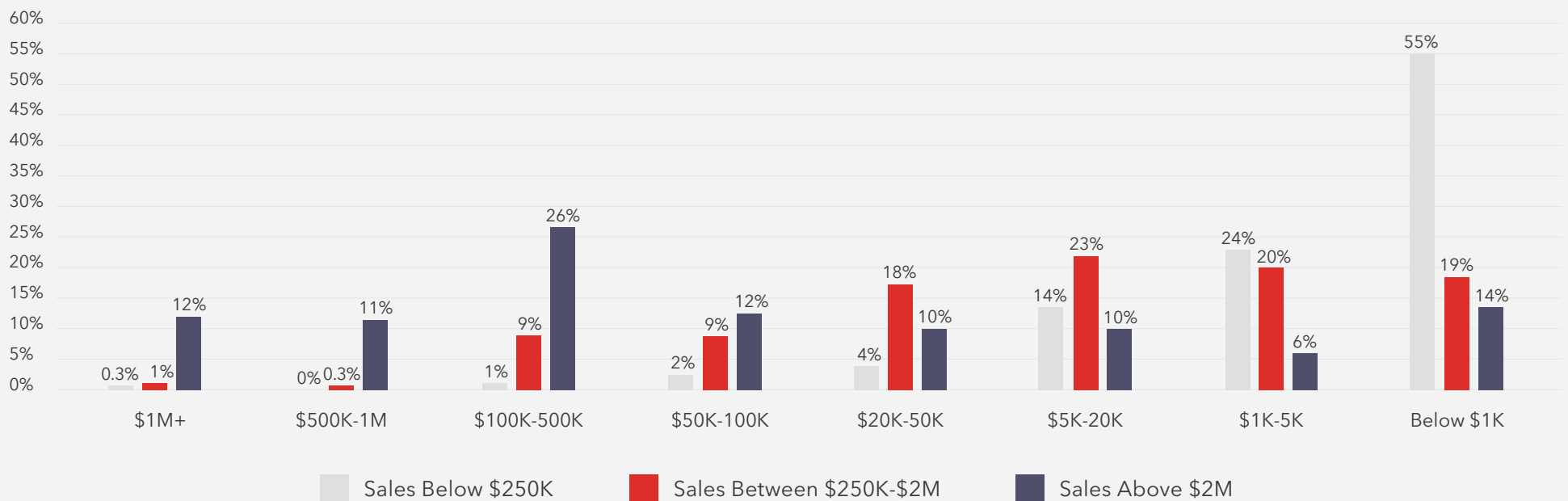
HIGH-VOLUME SELLERS ARE SEEING BENEFITS THROUGH ADVERTISING

We asked sellers how much they spent annually on advertising. For seller respondents with an annual revenue over \$2 million, 12% spend more than \$1 million annually, which is a 5% increase from the percentage of sellers who spent over \$1 million annually last year.

This reveals that high-volume sellers have realized advertising is a focus for Amazon and learning how to effectively manage marketing campaigns and promotions can prove to be extremely profitable.

Additionally, over half of sellers (55%) with an annual revenue of under \$250K spend less than \$1,000 per year on advertising. Over three-fourths of sellers with an annual revenue between \$250K and \$2 million spend less than \$50K per year on advertising.

SELLERS' ADVERTISING COSTS BY ANNUAL SALES VOLUME



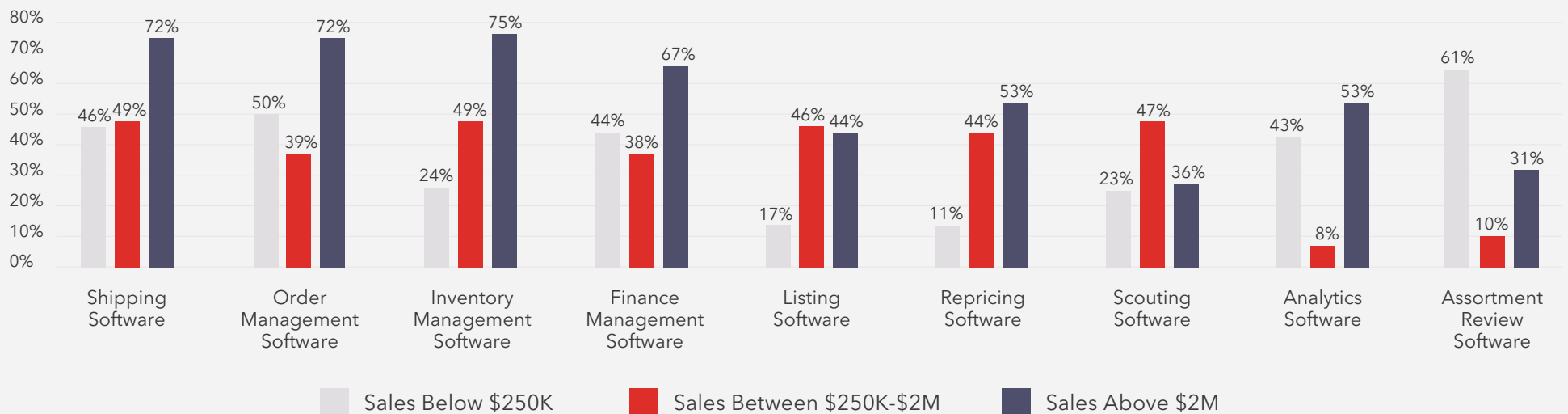
SELLERS LEVERAGE SOFTWARE TO SUCCEED ON AMAZON

Three-quarters of high-volume sellers (over \$2 million in annual sales) that were surveyed utilize inventory management software and nearly that same number of sellers utilize order management and shipping software, which are both being used more now than last year. It is clear that sellers with larger-scale operations tend to spend more money on software to help them automate certain business functions.

Use of scouting software is still popular among sellers of all sizes, but for the two buckets above \$250K we saw large increases in use versus last year, which demonstrates that scouting popular products that will convert rapidly is still a priority. The use of repricing software increased by sellers in all three buckets, particularly those that sell anywhere between \$250K-\$2M per year, as they experienced a 15% increase versus last year.

Lastly, more smaller sellers are utilizing software. For the Amazon merchants who sell less than \$250K per year, use of analytics software and assortment review software drastically increased (by 27% and 45%, respectively). This reveals that even sellers who are still finding their way on Amazon are using software to highlight and draw out analytics and refine their product offering.

SELLERS' SOFTWARE BY ANNUAL SALES VOLUME



CATALOG EXPANSION IS THE KEY TO DRIVING PROFITABILITY

We asked Amazon merchants what they think can help increase their revenue on Amazon. Nearly half of the respondents answered that their strategy would be to sell new products. This is why sellers put such strong emphasis on scouting - if they are the first to sell a new product, more often than not this helps their sales performance throughout the year. Other sellers' methods included optimizing their advertising budget and understanding the market and their competition.

SELLERS' STRATEGIES TO INCREASE REVENUE

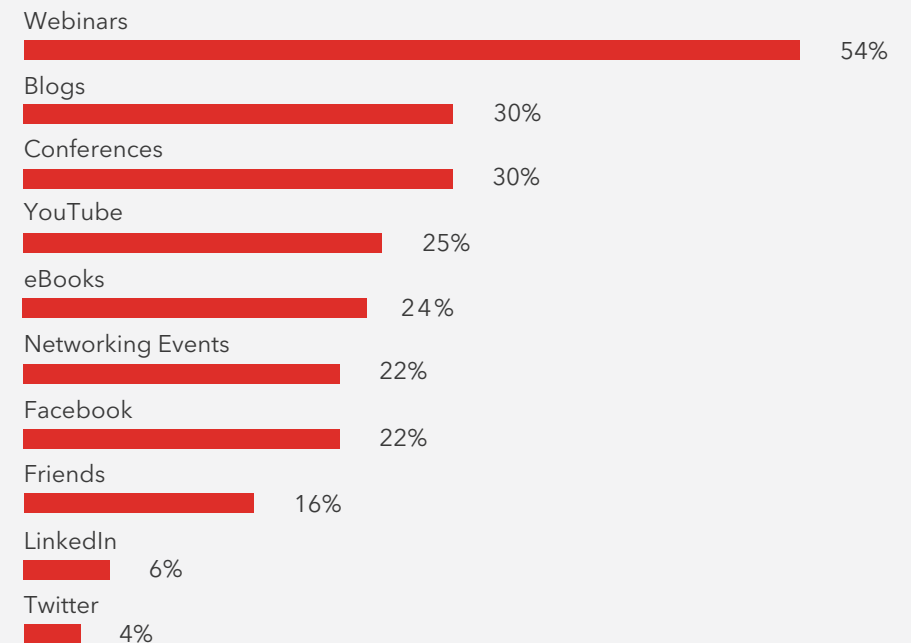


WEBINARS ARE THE FAVORED RESOURCE FOR INDUSTRY KNOWLEDGE

We asked sellers how they stay informed about the e-commerce industry. Webinars are still the leading source for industry knowledge, with more than half of the sellers surveyed choosing webinars as their top choice. Webinars are great educational offers that appeal to customers and prospects alike and can double as an effective content marketing tactic.

In 2017, blogs and Facebook tied as the second choice for industry knowledge. This year, blogs and conferences tied as the runner-up, revealing that maintaining a blog with fresh content and engaging with other sellers at community-based events, conferences, and workshops are top of mind for sellers when it comes to best practice education and learning from other sellers.

INDUSTRY KNOWLEDGE RESOURCES

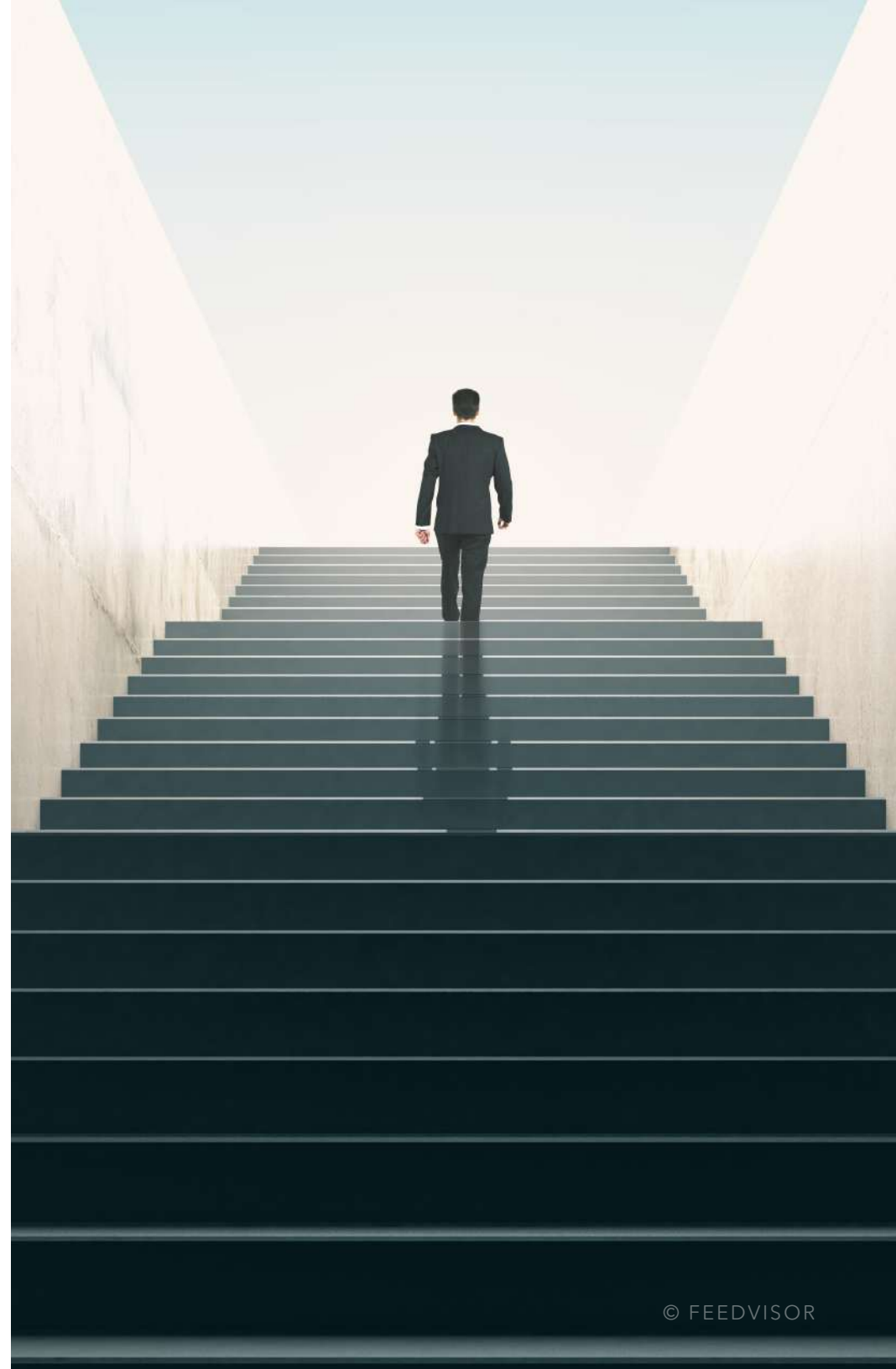
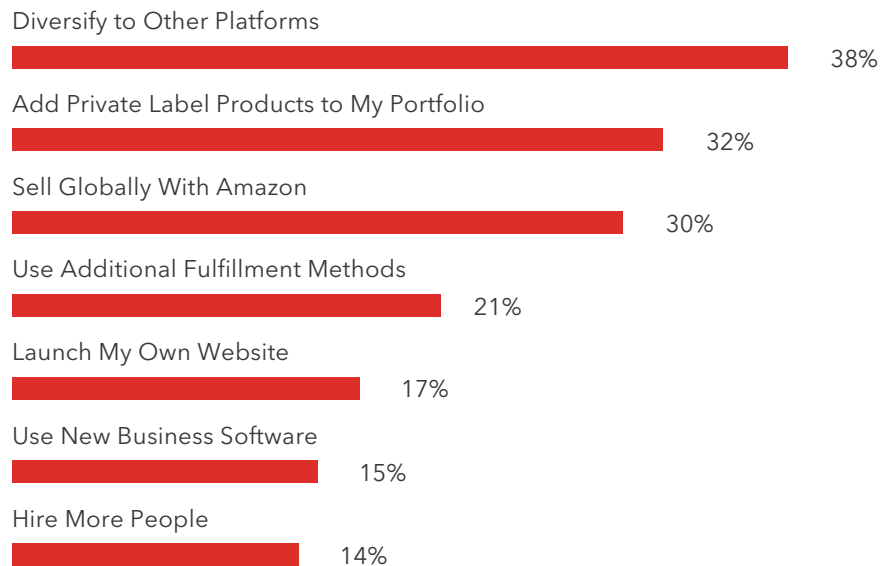


SELLERS PURSUE AMBITIOUS GOALS IN 2018

The majority of online retailers want to increase their online presence this year. The goal of diversifying to other platforms is still number one, but this decreased 21% versus last year, revealing that many seller respondents are Amazon-centric and focused on perfecting their selling process on the marketplace before broadening their scope to other e-commerce platforms.

32% of respondents want to add private label products to their catalog and 30% want to sell globally with Amazon. Not surprisingly, only 14% of sellers have plans to hire more people, as many businesses focus on keeping a lean operation and hiring temp workers during holiday and peak seasons.

SELLERS' PLANS FOR 2018





MAXIMIZE YOUR AMAZON POTENTIAL

Feedvisor is the pioneer of algo-commerce - the discipline of using big data and machine-learning algorithms to make business-critical decisions for online retailers.

Feedvisor's award-winning repricer and data analytics solution is the gateway to maximizing your Amazon success.

"Our business has been with Feedvisor for over 4 years. Feedvisor is truly a remarkable and evolving company. While its algo AI repricer is their superstar, it is their team of intelligent and passionate people that will propel your Amazon business to the next level."

CHUN TOM
BBEAUTY2U

GET STARTED NOW

FEEDVISOR.COM

1.917.338.4800

INFO@FEEDVISOR.COM

FEEDVISOR DRIVES RESULTS:

34%

increase in
revenue

37%

increase in
profit margins

28%

increase
in sales

"Feedvisor cares about my success in ways that other companies don't. I always get actionable intelligence from everyone that I work with at Feedvisor. Insights that you can do something with. You don't have to go digging for it."

DON WINCKLER
ROCK RIDGE SALES