

The Amazon Opportunity: How to list and sell your products

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Section 1

Understanding Amazon

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1. Understanding Amazon

Before entering the Amazon marketplace, you first need to fully understand what it is and how it works.

So, this section will give you all the information you need on everything from fees and regulations to market research on volume and competitors, to help you decide whether it's the right platform for you.



1. Understanding Amazon

1.1. What is Amazon?

Amazon encompasses different types of businesses into one entity.

These can be split into **7** key elements:

- **Online stores** – direct eCommerce sold by Amazon
- **Marketplace** – a compilation of various retailers selling on Amazon
- **Physical Stores** – Go stores, Wholefood locations
- **Subscription Services**
- **Third-Party Services** – shipping, fulfilment, and others
- **AWS** – Amazon Cloud service offering platform, offering software and services
- **Other** – Amazon advertising and affiliate credit cards



Find out more

- Please refer to section 4.6 within the Optimising and Growing PDF

1.2. Amazon International

While Amazon does not yet have a separate Amazon.ie website, customers in Ireland can shop from the Amazon UK site (Amazon.co.uk) without any problems.

Amazon has separate websites for major markets including the EU (France, Germany, Spain and Italy), other parts of Europe (Netherlands, Poland, Sweden, Turkey), North and Central America (US, Canada, Mexico, Brazil), Middle East (Egypt, United Arab Emirates, Saudi Arabia), Asia (India, China, Japan, Singapore) and Australia.

As an Irish brand selling on Amazon EU marketplaces, you have two options for fulfilment into Amazon:

The European Fulfilment Network (EFN) allows European FBA merchants to sell their products across EU marketplaces, while only holding stock in one central EU location and only paying taxes for that country. Customers receiving products purchased from Amazon will be subject to import tax fees.

Pan-European FBA which allows sellers to send inventory from their own warehouse to store in European Amazon warehouses. With Pan-EU FBA, customers receive faster, accelerated local shipping options including Amazon Prime 1-Day Delivery, FREE Delivery and Next-Day Delivery. Brands will need to pay Amazon warehouse storage fees for each EU market where their product is stored.

1. Understanding Amazon

1.2. Amazon International (continued)

As an Irish brand, you need to decide which fulfilment option is the most suitable for you. Some of the key considerations are how much inventory you'll store and the fees for this storage compared to if you were storing products yourself. Brands will also need to pay tax to all countries that are holding their stock, which means additional fees for tax, customs, and shipping. And for each product sold from an Amazon FBA warehouse, the brand will pay the standard FBA fulfilment fees. Regardless of which fulfilment option is chosen, sellers have access to all EU markets, even where stock is not held.

As a result of Brexit, the Amazon UK marketplace is excluded from pan-EU FBA fulfilment programs. This means sellers wishing to store their products in Amazon UK warehouses will not be eligible for the benefits of Pan-EU fulfilment for any other Amazon EU accounts where their product is sold. This means that the UK inventory can only be sold in the UK, and Pan-European inventory is accessible to EU Amazon shoppers. However, starting in March 2022, fulfilment between the UK and the EU will reopen via the European Fulfilment Network, rolling out in phases until May 2022.

The proposed opening of the Irish warehouse in Balldonell will allow sellers to send products to a warehouse closer to home without paying international import taxes, whilst still maintaining access to Amazon EU markets. Irish customers will be able to enjoy faster local deliveries. As of Q1 2022, Amazon have not stated their intention to service the Amazon UK marketplace from this warehouse. Therefore, sellers wanting to sell within this marketplace should ship directly into Amazon UK warehouses unless otherwise confirmed by Amazon.

1. Understanding Amazon

1.3. 1st Party vs 3rd Party Seller



You can sell your products on Amazon as a 1st party seller or 3rd party seller. It is important to know the difference between the two so you know which is best for your business. Brands start on Amazon as 3rd party sellers and may become 1st party sellers once they are established and Amazon views them as profitable.

1st Party seller:

Amazon buys stock in wholesale from brand owners, then sells on the Amazon store. Products appear with the “sold by Amazon” tagline on the product detail page. This is an invite only across all markets — Amazon will select 3rd party seller brands to work with if they feel their products are profitable.

3rd Party seller:

A dedicated retailer or the brand itself sells their product on the Amazon Market. The brand owners can choose to handle fulfilment to the customer (Fulfilled by Merchant) or allow Amazon to do so (Fulfilled by Amazon).

The below table shows the Pros and Cons of a 1st party seller and a 3rd party seller

1st Party	3rd Party
Pros <ul style="list-style-type: none"><u>Can receive bulk POs from Amazon</u><u>Amazon’s merchandising optimises product detail pages for the brand</u><u>Credibility as the brand is sold directly by Amazon</u><u>Pay a flat fee for participation</u><u>Amazon fulfil customer orders</u>	Brand can control product retail price Full control over brand information, SKUs, stock levels, product information and brand presence
Cons <ul style="list-style-type: none"><u>Amazon controls product pricing and listing</u><u>Wholesale margins</u><u>Chargebacks if stock levels fall and orders are not fulfilled in time</u><u>Only available with Amazon invite</u>	Brand resourcing including product listing, content creation, promotions, page optimisations, advertising Amazon monthly subscription Marketplace fees

1. Understanding Amazon

1.4. FBA (Fulfilled by Amazon) vs FBM (Fulfilled by Merchant)



Brands can choose from different fulfilment methods, so it's important to make sure you choose the best one for your business in terms of costs and operation.

Fulfilled-by-Amazon (FBA):

This allows you to store your product in Amazon warehouses and make use of Amazon's customer services and returns as well as Prime Eligibility and Free Super Savers Shipping. FBA can also build up and grow your international brand identity with Amazon distributing items across warehouses in Europe. With the opening of the Irish warehouse, Irish sellers can fulfil their products into the local warehouse at a lower cost. Previously, Irish FBA sellers would send their products to international warehouses to be distributed to international customers and back to Ireland to local customers.

Fulfilled-by-Merchant (FBM):

You store and ship your products directly to customers. Amazon charges shipping rates based on the product category, which you then set. You can use Amazon's Buy Shipping tool to obtain deals on shipping labels to ship, and confirm and track your shipments. Seller fulfilled Prime allows delivery from your warehouse directly to prime customers.

How it works:

- You ship the product to Amazon where it is scanned and made available to sell
- Amazon packages and ships products directly to customers with each order
- Amazon collects payment from customers and pays you available funds every 2 weeks
- Amazon's customer service team handles questions, returns and refunds

The below table shows the benefits of FBA and FBM

FBA	FBM
Access to Prime	More control
Amazon does the shipping	Maybe cheaper for larger items
Often cheaper shipping rates	Opportunity for Prime
Fast Delivery	Lower costs outside Amazon
More warehouse space	
Customer Service Management	
Higher chance of winning the "Buy Box" (the white box on the right of the product page)	

1. Understanding Amazon

1.5. Amazon Seller Fees



Different categories on Amazon have different associated fees, so it's important to understand which category your products belong to, to work out whether selling on Amazon is an affordable option. For Irish Food company clients, these categories are most likely Grocery & Gourmet, and possibly Beer, Wine & Spirits.

Selling Plans:

Professional Plan: €39 (excl. VAT)/month

Individual Plan: €0.99 (excl. VAT)/item sold

Category Referral Fees:

You pay a referral fee on each item sold, calculated as a percentage of the total sales price (amount paid by buyer include item price, delivery/gift-wrapping costs).

- Grocery & Gourmet category: **8.16%** of products with total sale price up to €10; 13.5% for the products greater than €10
- Beer, Wine & Spirits category: **10.2%**

Fulfilment Fees:

Fulfilled by Amazon (FBA):

There is a fulfilment fee and a storage fee based on product type, dimension, and weight. Products are sent to an Amazon warehouse, where they are stored and delivered to the customer from the warehouse. Amazon fulfilment fees will vary with the product category and size. However, you may find it cheaper to ship products to a local warehouse than an international warehouse. When you've made a seller account, you can estimate for your fees using the [Amazon FBA calculator](#).

Fulfilled by Merchant (FBM):

Shipping rates are charged based on the product category and the specific shipping service **selected by the customer**, which is passed on to the seller as shipping credit. If you're on the Professional plan, you set your own shipping rate. If you're on the Individual plan, you use Amazon's set shipping rates for all products regardless of actual total shipping costs.

1. Understanding Amazon

1.5. Amazon Seller Fees (cont.)



VAT

To sell products on Amazon you need to be VAT registered in every country that you have an Amazon listing. That means to sell in Ireland, you need registration via Revenue while in the UK, you will need to be VAT registered with HMRC. Having awareness of various VAT requirements, and knowing how to comply with them, will contribute to a frictionless selling experience on Amazon.

VAT should be included as part of the total product price if you are VAT registered. A VAT number in the European market should show the total VAT charged, including the VAT rate and registration number to customers on invoices.

You can sign up for Amazon's VAT services which will allow Amazon to guide you through the VAT registration processes and automate your VAT fillings and manage it through **seller central**.

Irish VAT regulations

Scope: You registered on Amazon and are selling to customers within Ireland (Republic and Northern Ireland).

You are required to be VAT registered with Revenue if you are a Seller storing inventory in Ireland OR you are a Seller established in Ireland and your total sales to all Irish customers exceed €90,000 (including non-Amazon sales).

Pan-EU Taxes

You must also be VAT registered in all EU countries where you are planning to store and sell inventory. When selling in multiple Amazon European marketplaces, you may be liable to pay VAT to different member states and may need to apply for multiple VAT numbers with different member states.

When you sell goods from one EU country to customers in another EU country, these customers are private individuals without undertaking any business activity for VAT purposes.

However, each country in the EU has their own threshold, which if your sales that you ship into that country are greater than, you must register for VAT in that country.

You will also need to comply with any applicable customs laws and regulations when importing your products. You may not authorise the importation of your goods in the name of any Amazon or Amazon affiliated cooperate names.

You are responsible for meeting any VAT obligations that apply. Please consult your tax advisor to assess any import and VAT obligations you may have.

1. Understanding Amazon

1.5. Amazon Seller Fees (cont.)

When do I need to register for VAT in the UK (via amazon.co.uk)?

Some of the most common reasons that may prompt a VAT registration requirement are below. **Please consult your tax adviser for more details and guidance.**

Importing goods into the UK — You are based outside the UK and ship goods to the UK. For example, you are a seller based in China and ship goods from China to a fulfilment centre in the UK.

Storing goods in the UK — Storing goods includes either you or Amazon (or other third parties) on your behalf storing your inventory in Fulfilment Centers in the UK. This means that being enrolled in the UK FBA programme, which allows Amazon to distribute your goods across the UK marketplace and benefit from accelerated deliveries, triggers a requirement to be VAT registered in the respective countries of storage.

Selling to UK business customers — You sell to business customers based in the UK from UK inventory. Find out more about our VAT Calculation Services and Invoicing Support here.

Domestic sales by the UK established Seller — If your business is established in the UK and you sell to customers within the UK, and your sales exceed the 'Domestic Selling Threshold' of £85,000, you may be required to register for VAT in that country.

Other Fees:

- **Inventory fees:** If you store inventory in an Amazon fulfilment centre—available to FBA users or Multi-Channel Fulfilment**—in addition to monthly inventory storage fees, you may incur other fees, such as:
 - **Long-term storage fees:** Products that have been stored for over 365 days, will be charged a monthly fee of €4.30 per cubic foot
 - **Overage fees:** Clients will be charged €7.80 per cubic foot for exceeding their storage volume limits
 - **Removal order fees:** If you want to remove products from the Amazon fulfilment centre, you'll have to submit a removal order and a fee will be incurred based on the size and weight of the product. ([details here](#))
- **High-Volume:** High volume fees of €0.0003 over product occur on the highest number of a single active product if over 2 million in a given month.
- **Refund Administration Fees:** If you refund a customer for an order for which you have already received payment, Amazon will refund you the amount of the referral fee you paid for the item(s), minus the applicable Refund Administration Fee, which is the lesser of €5.00 or 20% of the applicable referral fee.

For example, if you refund a customer the €10.00 total sales price of an item in a category with a 15% referral fee, your Refund Administration Fee will be €0.30 (€10.00 x 15% referral fee = €1.50).

1. Understanding Amazon

1.5. Amazon Seller Fees (cont.)

The below table shows the difference between the normal and occasional fees

Normal Fees	
<p><u>Inventory storage fees</u></p> <p><u>Charged for all items stored in an Amazon fulfilment centre, and based on your daily average volume of inventory measured in cubic feet. See how to determine the product size tier for your items.</u></p>	<p><u>Fulfilment fees</u></p> <p><u>Charged per unit for picking and packing your orders, shipping and handling, customer service, and product returns. Use the FBA revenue calculator to estimate fees and see how to preview your fees.</u></p>
Occasional Fees	
<p><u>Long-term storage fees</u></p> <p><u>Assessed monthly, for all items stored in a fulfilment centre for more than 365 days. Maintaining sound inventory health can help you avoid long-term storage fees.</u></p>	<p><u>Fulfilment fees</u></p> <p><u>You can have Amazon return or dispose of your inventory in a fulfilment centre for a per-item fee.</u></p>
<p><u>Returns processing fees</u></p> <p><u>Charged on orders when Amazon provides a customer with free return shipping.</u></p>	<p><u>Unplanned services fees</u></p> <p><u>Charged when inventory arrives at a fulfilment centre without proper preparation or labelling, making unplanned services required.</u></p>

**Multi-Channel Fulfilment: You can use Amazon warehouse and delivery services to fulfil orders from other channels outside Amazon, such as the client's own website.

Read more about [here.](#)

1. Understanding Amazon

1.6. Understanding the Opportunity

To build an effective business plan for Amazon, you'll need an understanding of your competitors, customers, and the products in your category.

1. Test Search Terms and Competitors

Think about what customers will search for if they were looking for your product and enter them into the Amazon search bar. For example, a chocolatier, may search for "chocolate" in Amazon.

2. Evaluate the Relevancy of Your Search Term

View the results page and have a look at whether the existing results are like your own products. The more similar the results are to your product, the more relevant the search term is. This means that customers who are searching the same term are likely to be looking for your product type.

You'd expect chocolate products similar to the chocolatiers to appear for the search term "chocolate" because it is more relevant. However, when you search "sweets", chocolate products do not appear, as it is not a matching product.

Note down search terms that are relevant, because they will make it easier for your customers to find your product

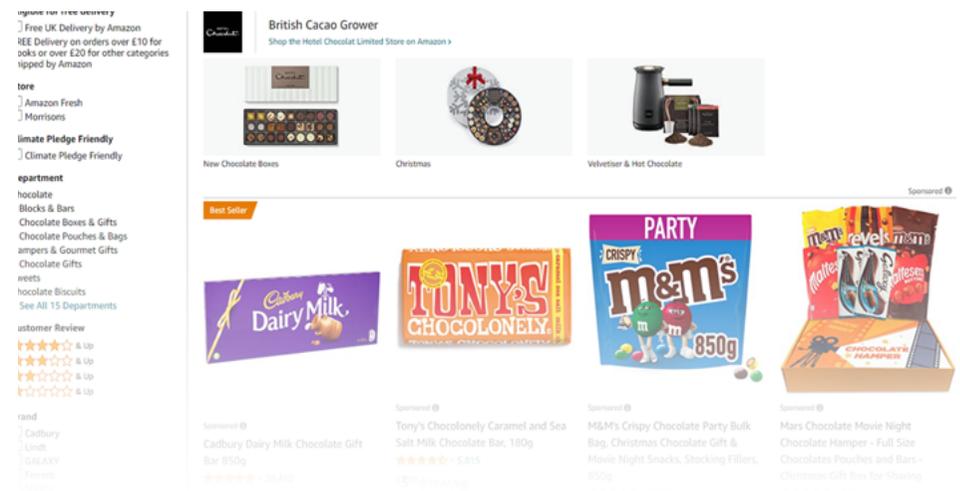
3. Analyze Your Competitors

Look at which competitors appear against each search term. How many competing products are there? What is their pricing? If your results page is full of big brands and household names,

this indicates the market is highly competitive. This can be very expensive, so if you want to enter this market, you must have sufficient resources and budget. A lack of sponsored advertising from these brands could present an opportunity for smaller brands to achieve visibility in an otherwise competitive market.

On the other hand, if only a handful of competitors appear, there could be a real opportunity for you to compete in the market. But before you start, it might be worth considering that there may not be many competitor brands because your product sits within a niche market that may not have sufficient volume to make it profitable.

On the top left, of the results page, you'll see the number of results that match your search term which is an indicator of how crowded the market it. Use can use this to evaluate how much competition you have.

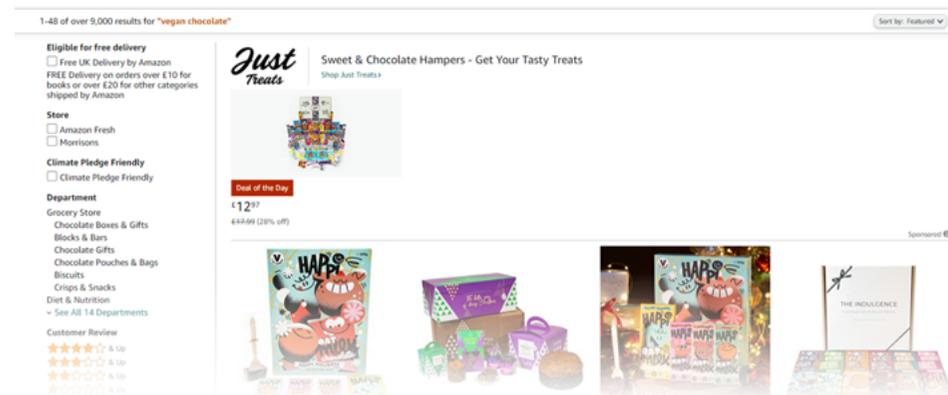


1. Understanding Amazon

1.6. Understanding the Opportunity – continued

There are over 6,000 results for “chocolate” (see image) where the top ad spaces are occupied by brands such as Lindt’s, Cadbury’s, Tony’s, M&M’s, Hotel Chocolate. Meanwhile, the organic results also include Celebrations, Ferrero Rocher. Each of these products have thousands of reviews and star ratings of over 4. This means the chocolatier will be competing against thousands of products, including big supermarket brands, that are already well established on the platform. A small brand will be unlikely to get the visibility they need. The brands that also dominate the ad spaces are likely to be pushing bids for paid ads, so small budgets are unlikely to persevere.

The Chocolatier realises that there may be an opportunity for him as he wants to sell vegan chocolate, so he searches for “vegan chocolate”, where the number of big brands have reduced significantly. While the number of search results reach 9,000,



there are results that are less relevant to the search term and are not expected to perform as well. It seems like there is a higher opportunity to establish a vegan chocolate brand on the Amazon market than a normal chocolate brand. However, will this vegan chocolate brand generate enough sales?

4. Evaluate Existing Sellers

If you’re selling a product that is already being sold on Amazon, search for that product on Amazon and look at their product detail pages to find the buy box. This is the box that contains the “Buy Now” button and tells you who it is sold by. This seller is the winner of the buy box, which indicates that they present the best price and/or the most reliable shopping experience. You can also view other sellers and/or resellers that are competing, to give you a good idea of how many businesses are competing.

Amazon is currently winning the buy box for Cadbury Dairy Milk Chocolate Gift Bar £7.08. There are 11 other sellers of this product, who have a higher price point. A new seller of this product should at least match Amazon’s price point to even think of winning the buy box. (You can read more about the buy box **within section 3.3 of the Understanding Seller Central PDF**).

5. Find Keywords and Search Volumes

To search for every single search term on Amazon can be time-consuming, and while the number of products and competitors can be a good indicator of how much consumer demand there is for the product, is not an effective methodology especially if you have a range of products.

1. Understanding Amazon

1.6. Understanding the Opportunity – continued

To make sure you use the strongest keywords to optimize your account and product detail pages, there are a number of third-party tools at your disposal that can help. E.g.

Key word inspector, **Seller app** and **Ahrefs**

These tools can come in the form of browser extensions, apps, or website platforms. They will help to pull and analyze keyword search volumes and suggest other similar keywords for you to use, as well as evaluating the number of competitors and average cost for advertising. You can find recommendations for some of the top third-party tools to use [here](#).

6. Forecast Your Sales

You can use the search volume data to calculate an estimate for your sales and profits.

The average performance for organic listings is not publicized, however we can use average advertising performance across the whole of Amazon as a benchmark. An average of **0.4%** of impressions are clicked on (click-through rate) in 2021. The average of orders to clicks (conversion rate) is **9.55%**. You can change these percentages based on your product category, the number of competitors, and what you can expect to achieve with the quality of your product and listing. Looking at the sale price of your

product, as well as Amazon fees and external resources, you can estimate your sales and profits and evaluate whether it is worth selling on Amazon. This is a time-consuming process but is essential for brands who want to do well on Amazon.

For the chocolatier, assuming his product appears **65%** of the time someone searches for “vegan chocolate” which has a monthly search volume of 40,000, so $40,000 * 65\% = 26,000$ impressions of the product listing will be made

Impressions x click-through rate:

$26,000 * 0.4\% = 104$ clicks on your product

Clicks x conversion-rate: $104 * 9.55\% = 10$ orders per week will be made on the search term “vegan chocolate” alone

You can expect to have dozens varying of search terms, including broader terms with higher search volume, as well as lower volume specific terms. These figures will differ for each category, territory and for specific niches. You can also improve these numbers with high quality listings and an attractive product.



Read More

- [Best Amazon Keyword Tools for FBA Sellers in 2021 article](#)



So that's a top-line guide to Amazon, the difference between 1st party and 3rd party sellers, fulfilling orders and fees.

Hopefully, we have covered all of the questions you may have had.

But if you need further information, here are some other references you may find useful.



Find out more

- [Amazon FBA vs FBM: What Works Better for Your Company](#)
- [About VAT on Sales on Amazon](#)
- [Amazon UK Site Fees](#)
- [Multi-Channel Fulfilment](#)

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