

# Amazon Strategy Survey

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Current Trading 2023 for Vendors (1P) & Sellers (3P)

FOSTEC & Company GmbH

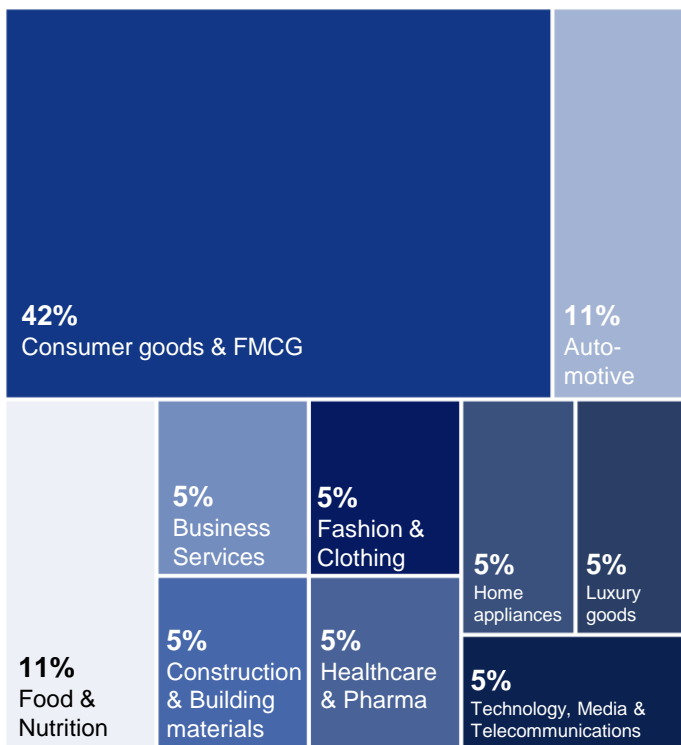
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# Corporate profile of respondents

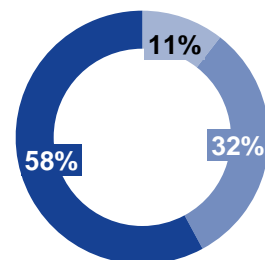
The largest group is middle-sized companies, mainly from FMCG

## Industry structure of respondents



## Size structure of the business

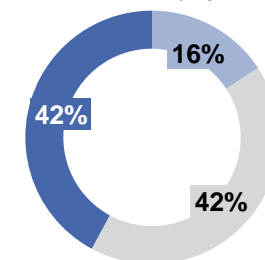
Annual revenue for 2022



■ Large-sized: > € 1bn  
■ Medium-sized: between € 50m and € 1bn  
■ Small-sized: < € 50m

## Headcount

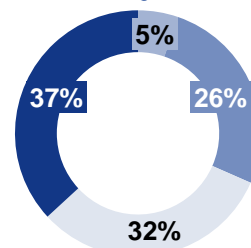
Persons employed



■ 10 - 49  
■ 50 - 249  
■ > 250

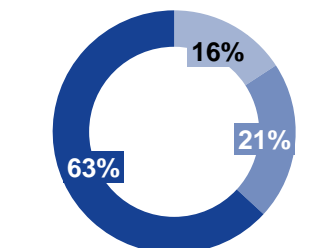
## Amazon Selling Duration

Years of selling on Amazon



■ < 1 year  
■ 1-3 years  
■ 4-6 years  
■ > 7 years

## Type of Amazon business model



■ Hybrid  
■ Vendor (1P)  
■ Marketplace (3P)

- Around half respondents are from “**Consumer goods and FMCG**” industry, mainly **middle-sized companies** with an annual revenue below € 1bn and with headcount of less than 250 people
- Most respondents operate **more than 5 years** on Amazon. **63%** of them use **Vendor (1P) model**, while marketplace (3P) model is the least popular

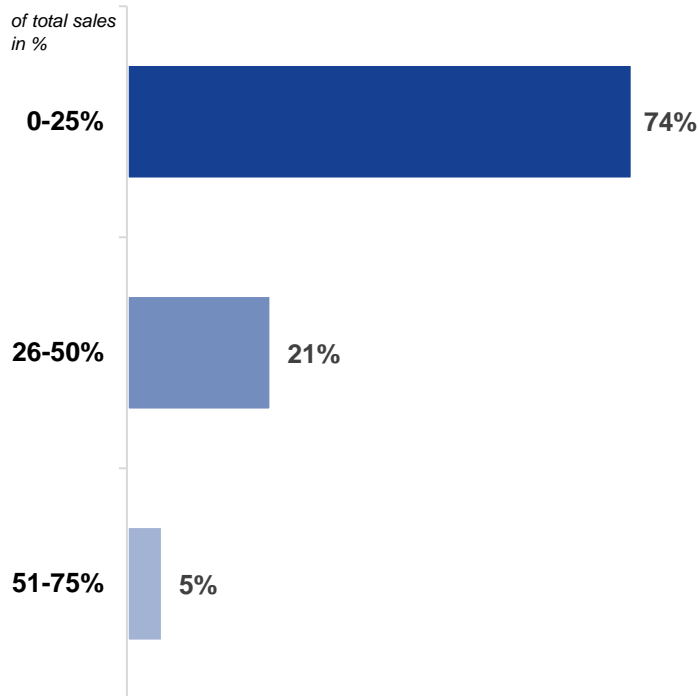
Sources: FOSTEC Research 2023; based on survey n=39 carried out from 22.07.2023 - 15.09.2023

# Amazon's impact on the business

Amazon captures significant share of total sales besides other channels

## The share of Amazon sales in total sales

% in the total revenue from all channels (online & offline)



## Other sales channels to compete with Amazon

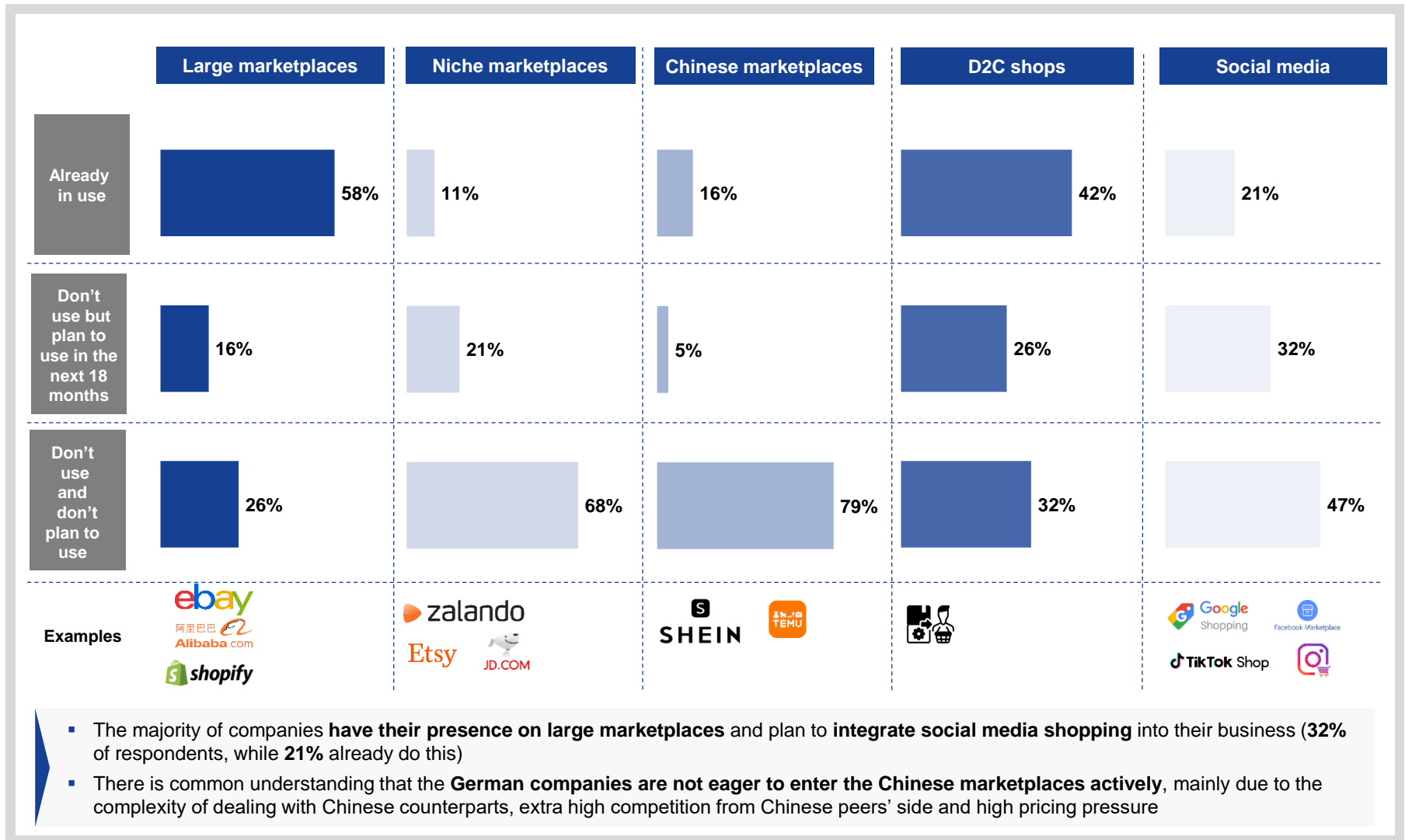


- On average Amazon **captures no more than a quarter of total sales** (including offline sales), which is a sign of a large diversification of distribution channels of the companies
- The market observes **a tight competition between Amazon and other marketplaces** regardless their size, purpose or regional focus. It's widely common that the companies **try to diversify their sales channels**, especially with a huge surge and impact of social media channels

Sources: FOSTEC Research 2023; based on survey n=39 carried out from 22.07.2023 - 15.09.2023

# Alternatives to Amazon sales channels

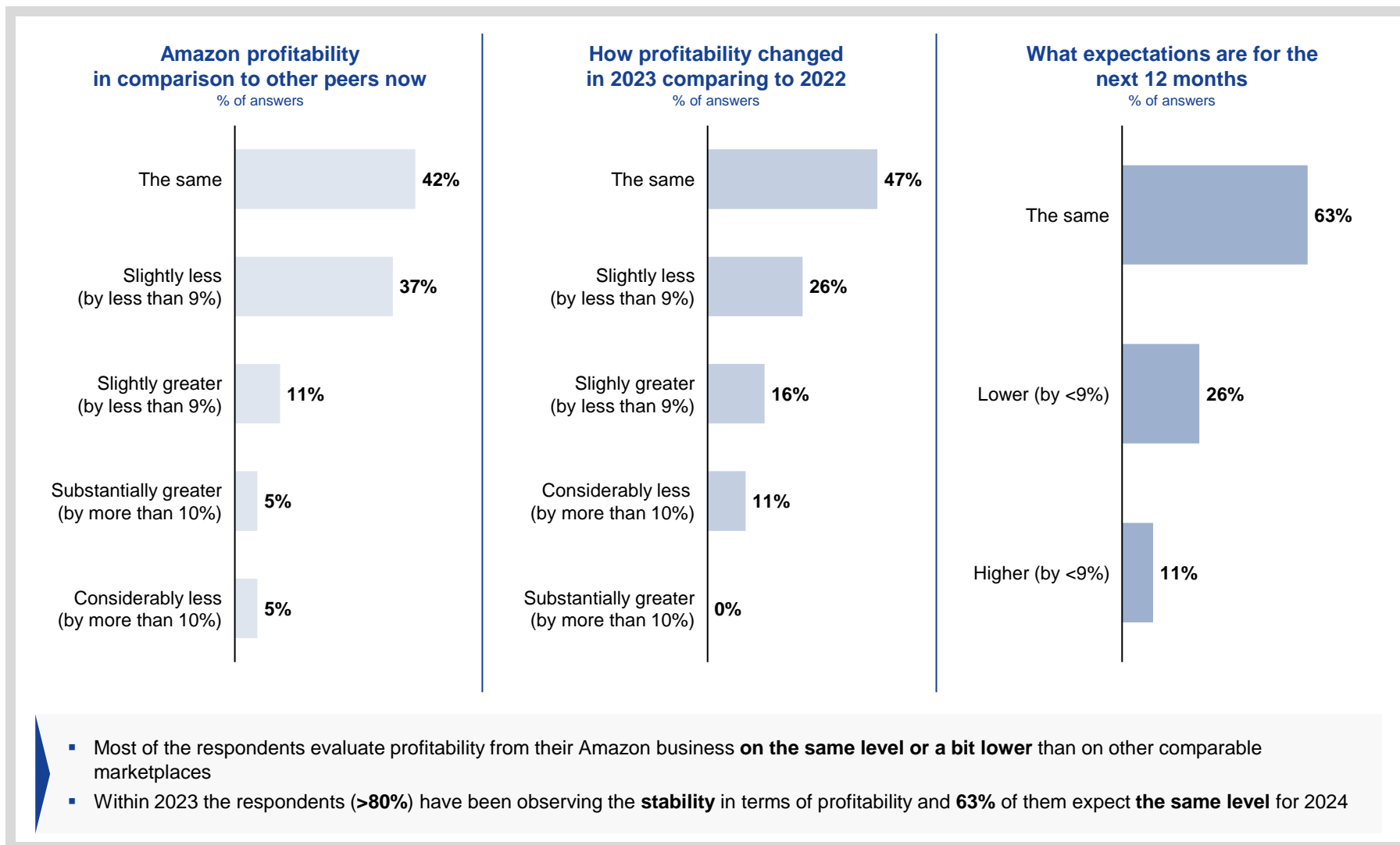
Large marketplaces and D2C thrive, social media channels plan expansion



Sources: FOSTEC Research 2023; based on survey n=39 carried out from 22.07.2023 - 15.09.2023

# Current trading: Profitability on Amazon

Companies get and expect consistent or lower profits, stable through '22-24



Sources: FOSTEC Research 2023; based on survey n=39 carried out from 22.07.2023 - 15.09.2023

# Factors affecting profitability on Amazon

Cost factors are important for the majority, logistics issue is also significant

## Level of importance of factors to impact the company's profitability on Amazon

% of respondents who put the corresponding rank to the factor



- For the majority of respondents **cost-related factors are the key for the future profitability**
- Changes in the work of marketplaces** and **the level of competition** in the market stay on the same level of importance for the business
- Logistics is important** for the companies **with industry specifics**, where the logistic leverage is high

Sources: FOSTEC Research 2023; based on survey n=39 carried out from 22.07.2023 - 15.09.2023

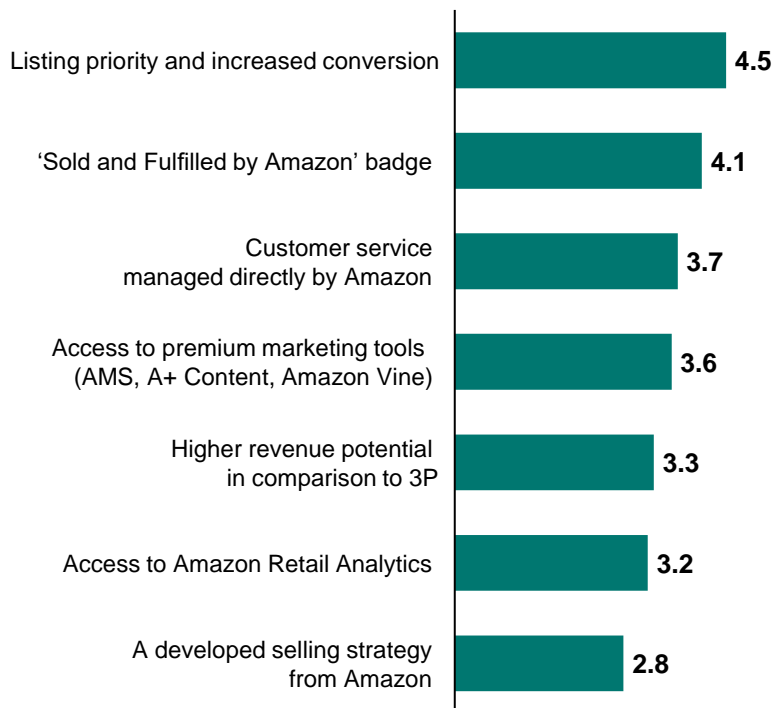
  the most popular rank for the factor

# Comparison: 1P Model: pros and cons

Listing and better conversion are important, lack of price control is a concern

## Importance of 1P Model pros, from 1 to 5

5 is the most important factor and 1 is the least important one



## Importance of 1P Model cons, from 1 to 5

5 is the most important factor and 1 is the least important one



- **Listing priority, better conversion and badges** by Amazon are the main attractive points for the business with regards to 1P Model. The biggest concern arises around **control over prices and listings**, as well as **the need to handle** the accounts
- **Other factors to positively influence** the choice for 1P are specified as (1) **no returns**, (2) **flexibility of volume**, and (3) **matter of personal contacts**

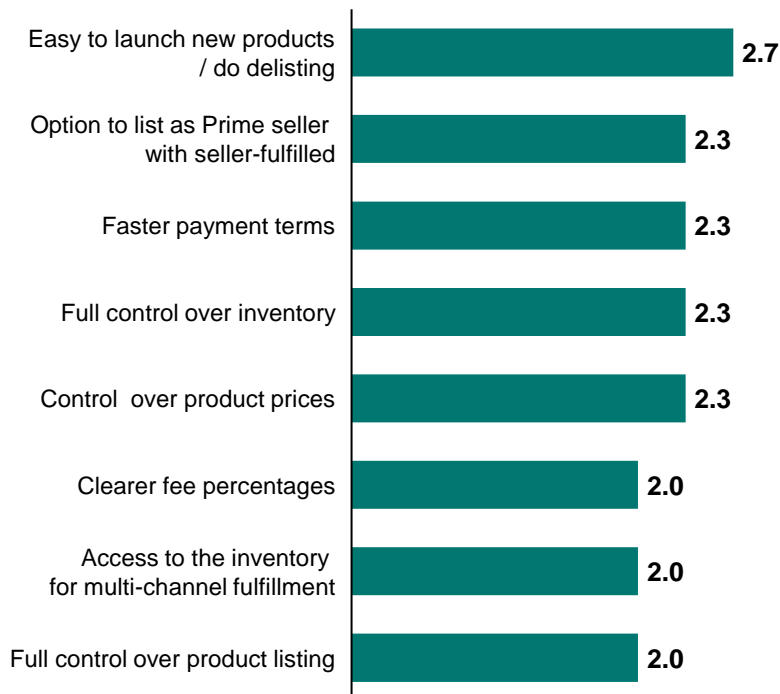
Sources: FOSTEC Research 2023; based on survey n=39 carried out from 22.07.2023 - 15.09.2023

# Comparison: 3P Model: pros and cons

## Easiness to launch is the key, high referral fees disrupt the work

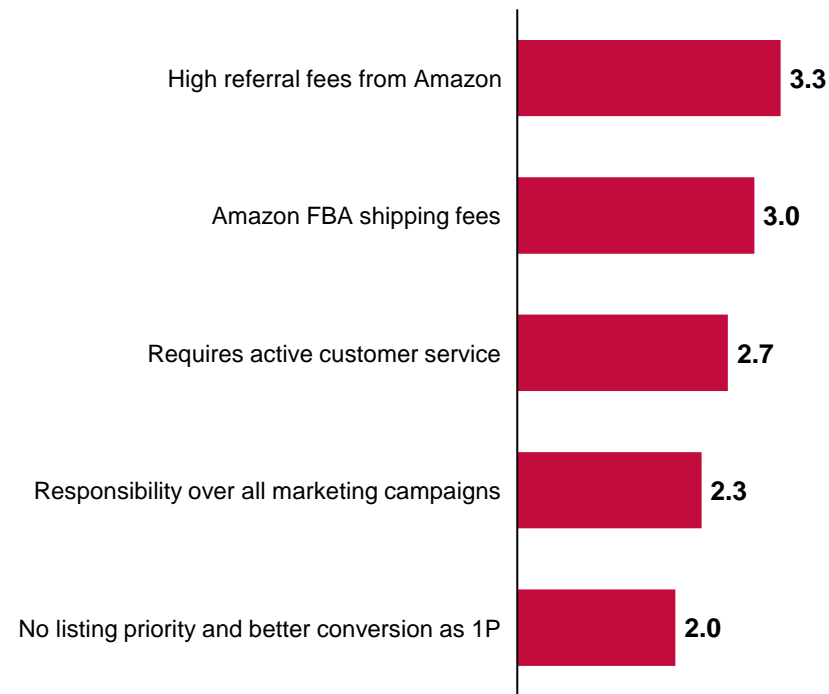
### Importance of 3P Model pros, from 1 to 5

5 is the most important factor and 1 is the least important one



### Importance of 3P Model cons, from 1 to 5

5 is the most important factor and 1 is the least important one



- **Easiness to launch and manage the product listings** are the key advantages over 1P Model for respondents. **Payment terms and inventory control** are also important in line with options being a Prime Seller
- **High referral fees and high shipping fees** are the drawbacks of 3P Model

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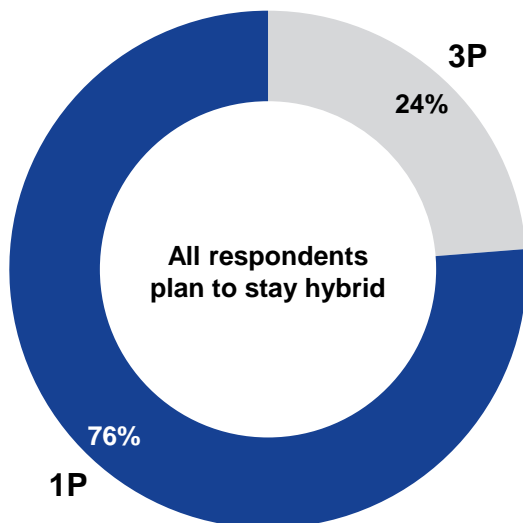


# Comparison: Hybrid Model: pros and cons

Diversification gives the advantages but leads to superior effort to manage

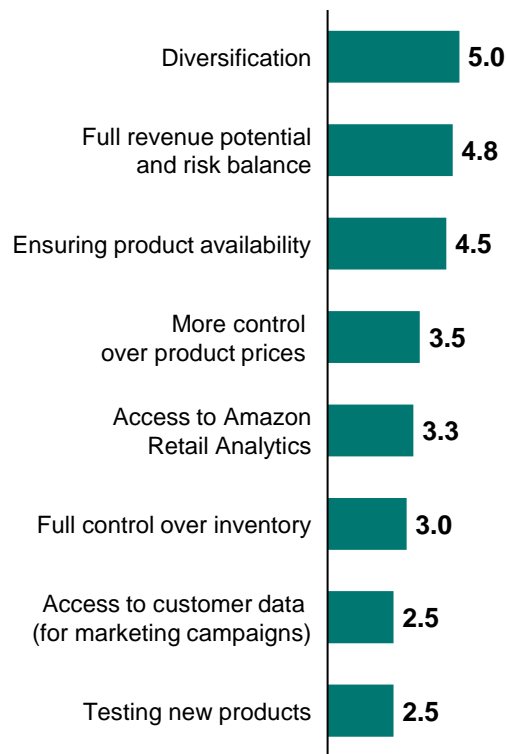
## Split of the business between 1P and 3P

in average % of total Amazon sales



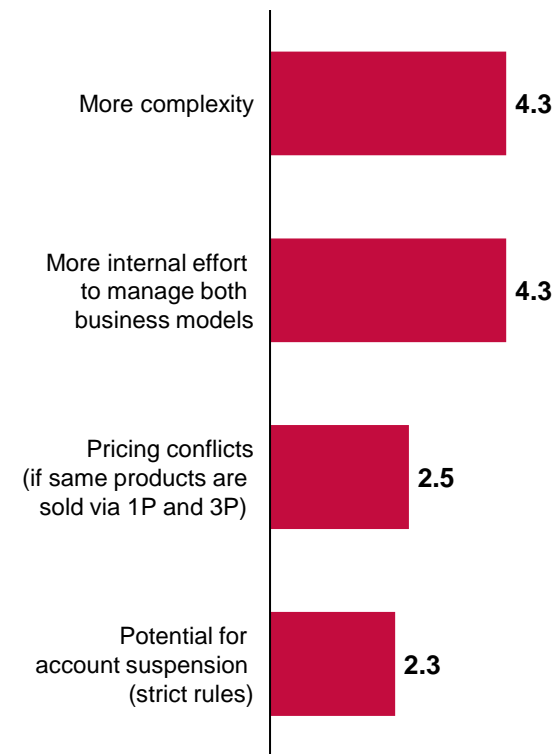
## Importance of Hybrid Model pros, from 1 to 5

5 is the most important factor and 1 is the least important one



## Importance of Hybrid Model cons, from 1 to 5

5 is the most important factor and 1 is the least important one



- All respondents who follow the Hybrid model **plan to stay hybrid**, and majority of respondents want to **increase 1P part** in the structure
- The main advantage of this business is ability to **diversify and capture the whole picture** of the business, but the model is considered to be **much more complex** rather than 1P / 3P and **requires more internal work and staff** to operate

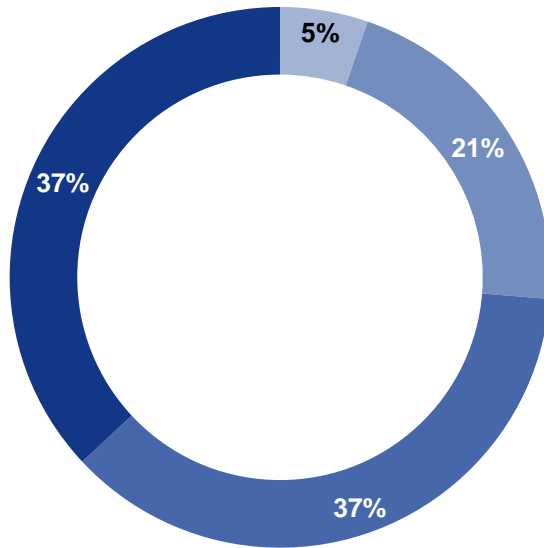
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# Account handling: characteristics

EDI tools are widely used, mainly in analytics, automation still lacks

## Size of team involved in account handling

number of people



- >10 employees
- 1 employee
- 2-5 employees
- 6-10 employees

## Reasons for utilization of tools

% of responses

Usage of EDI tools for **vendor orders organization**

Yes **89%** No **11%**

Utilization of any automation tools or software for **inventory and order management**

Yes **26%** No **74%**

Inventory planning and forecasting is used to **do historical data analytics and forecasting**

Yes **95%** No **5%**

Inventory planning provides for **actively collaborating with suppliers**, ensuring in-time replenishment of inventory

Yes **42%** No **58%**

Usage of inventory management software **to track and monitor inventory levels and stock movements**

Yes **32%** No **68%**

Monitor the market, **analyzing customers and competitors** to plan inventory levels

Yes **37%** No **63%**

## Tools or software

to manage and optimize Amazon account handling

- Vendor Central
- Baros (Shortages, Chargebacks)
- SellerApp
- Analyze
- Amvisor
- Remdash
- Keepa
- Stackline
- Profitero
- Remdash
- Helium10

- Most respondents have a team of employees responsible for Amazon account handling with average **headcount from 2 to 10 employees**
- EDI tools are widely in use by companies, mainly **for forecasting (95% of responses)** and **vendor orders organization (89% of responses)**

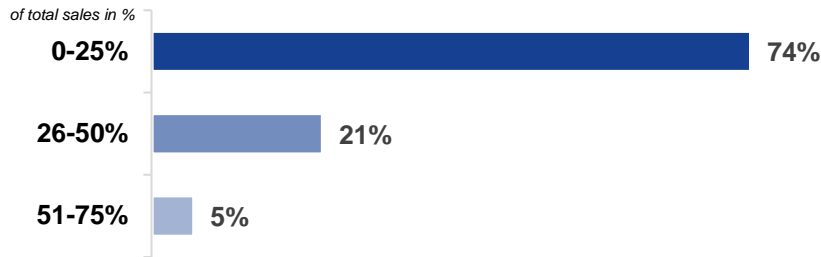
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# Amazon Strategy Survey: Summary

Companies expect stable revenues on Amazon, following the chosen models

## Diversification of sales channels and profitability questions

### Share of Amazon sales in total sales



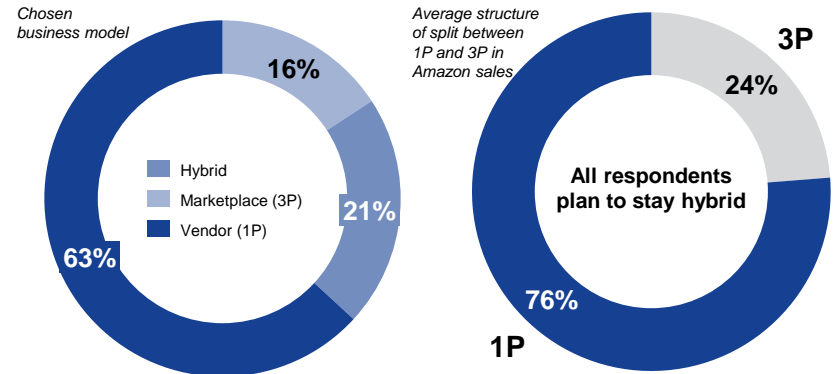
### The main alternate E-Commerce channels for the companies



### Expectation of the business

- Most of the respondents evaluate profitability from their Amazon business **on the same level or a bit lower** than on other comparable marketplaces
- Within 2023 the respondents (>80%) have been observing the **stability** in terms of profitability and **63%** of them expect **the same level** for 2024
- For the majority of respondents **cost-related factors are the key for the future profitability**
- Changes in the work of marketplaces and the level of competition** in the market stay on the same level of importance for the business

## Choice of business model on Amazon



1P	3P	Hybrid
<b>Most significant advantages</b>		
<ul style="list-style-type: none"> <li>Listing priority and increased conversion</li> <li>'Sold and Fulfilled by Amazon' badge</li> </ul>	<ul style="list-style-type: none"> <li>Easy to launch new products</li> <li>Option to list as a Prime seller with seller-fulfilled</li> </ul>	<ul style="list-style-type: none"> <li>Diversification</li> <li>Full revenue potential and risk balance</li> </ul>
<b>Most significant drawbacks</b>		
<ul style="list-style-type: none"> <li>No control over product prices</li> <li>Complex account handling</li> </ul>	<ul style="list-style-type: none"> <li>High referral fees from Amazon</li> <li>Amazon FBA shipping fees</li> </ul>	<ul style="list-style-type: none"> <li>More complexity</li> <li>More internal effort to manage both business models</li> </ul>

Sources: FOSTEC Research 2023; based on survey n=39 carried out from 22.07.2023 - 15.09.2023



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