

The e-commerce “*how to*” handbook for marketplace sellers

*All the things you wish someone would tell you about selling on
the global markets.*



A handbook of tips and best advice for sellers using the global marketplaces such as Amazon and eBay. Provided by Seller Dynamics, www.sellerdynamics.com, experts in listing, managing and repricing stock for retailers everywhere.

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Are repricers a race to the bottom, will they cost you dear?

Introduction

Online retail is a fast moving, highly competitive world, especially for those retailers who sell goods that are branded or open to direct price comparison. This problem is compounded on the global marketplaces, such as Amazon, where the main differentiator between retailers is often the price they sell at.

Thanks to the strict standards that Amazon impose on their third party sellers, the vast majority of Amazon sellers are extremely reliable, which means the consumer can choose the least expensive seller of an item with little risk of a failed or problematic delivery. And with Amazon's customer protection there is really no risk for the customer.

With that in mind, it becomes clear that for retailers who want to sell at meaningful levels on Amazon, or similar marketplace sites, there is an acute need for automatic repricing to maintain their competitive advantage. Without a software system to reprice stock as market conditions change a retailer can very quickly lose sales and valuable income.

But often the concern of retailers new to automatic repricing and indeed those who already use it, is the concern that all that will happen is "a race to the bottom". A race where everyone has their prices floored and everyone, as a result, suffers from reduced income. The fear is that it's a deflationary spiral which favours only the consumer. But is this a fear grounded in reality, should retailers be concerned?

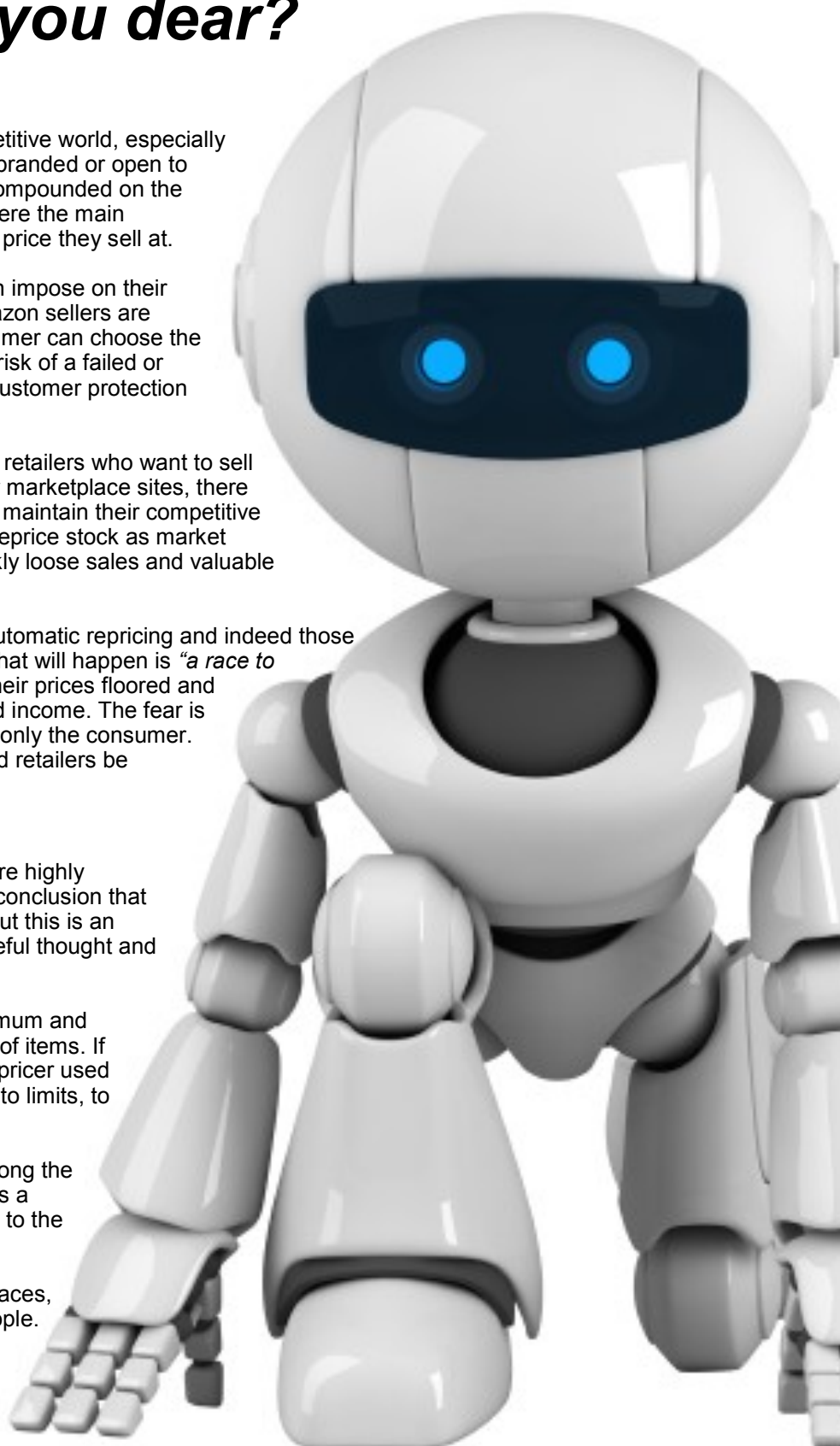
Will a repricer cost you dear?

If we consider retailers selling items that are highly competitive we could quickly come to the conclusion that repricers simply push prices to the floor. But this is an oversimplification and deserves some careful thought and examination.

Repricers typically work by having a maximum and minimum price range for an item or range of items. If Retailer 1 is selling an item at X, then a repricer used by Retailer 2 will move their price, subject to limits, to a set amount less.

The "race to the bottom" argument runs along the lines of each retailer reducing their price as a reaction to the others reduction. So a race to the bottom has clearly occurred.

But this is to ignore the nature of marketplaces, suppliers and most importantly of all – people.



Maximising your margin

The price at which something can be sold depends on cost of supply and total cost of fulfilment. All retailers have their own relationships with suppliers, and the price at which they buy stock will vary based on historic relationships, volume of sales and speed of payment. So in situations like these repricers reward those retailers who have the strongest supply chains with the best economics for completely fulfilling delivery of that specific item, from goods-in to receipt by the customer. Within that chain there are many touch points where costs arise, the shrewd retailer will drive all of those costs down. That shrewd, cost critical, retailer will often win when it comes to price – it's not the repricer that wins the deal, the repricer is merely a tool for the retailer to ensure the deal is won at maximised profit. The clever retailer uses repricers to maximise their sales and their profits, not to minimise them. They have already ensured that their prices will be the best, the repricer is simply ensuring that they maximise that best price day in, day out.

This may seem a somewhat philosophical point but it isn't. Consider what would happen if repricers did not exist. In such cases the winning retailer would be able to beat all the competition by manually flooring his price and leaving it there forever. This generates sales, but at a stupidly low level, a level that has not been set to the benefit of the retailer. Thinking more broadly the result is that the market becomes stuck with no opportunity for others to beat the floored price.

With a repricer though the price is continually managed, it is never in a steady state which means that opportunity arises for all retailers. For the shrewd retailer his price will always be maximised, not floored, and for others they will have the opportunity to win the upper hand from time to time when the shrewd retailer's price drifts up above their minimum price, or when stock is depleted.

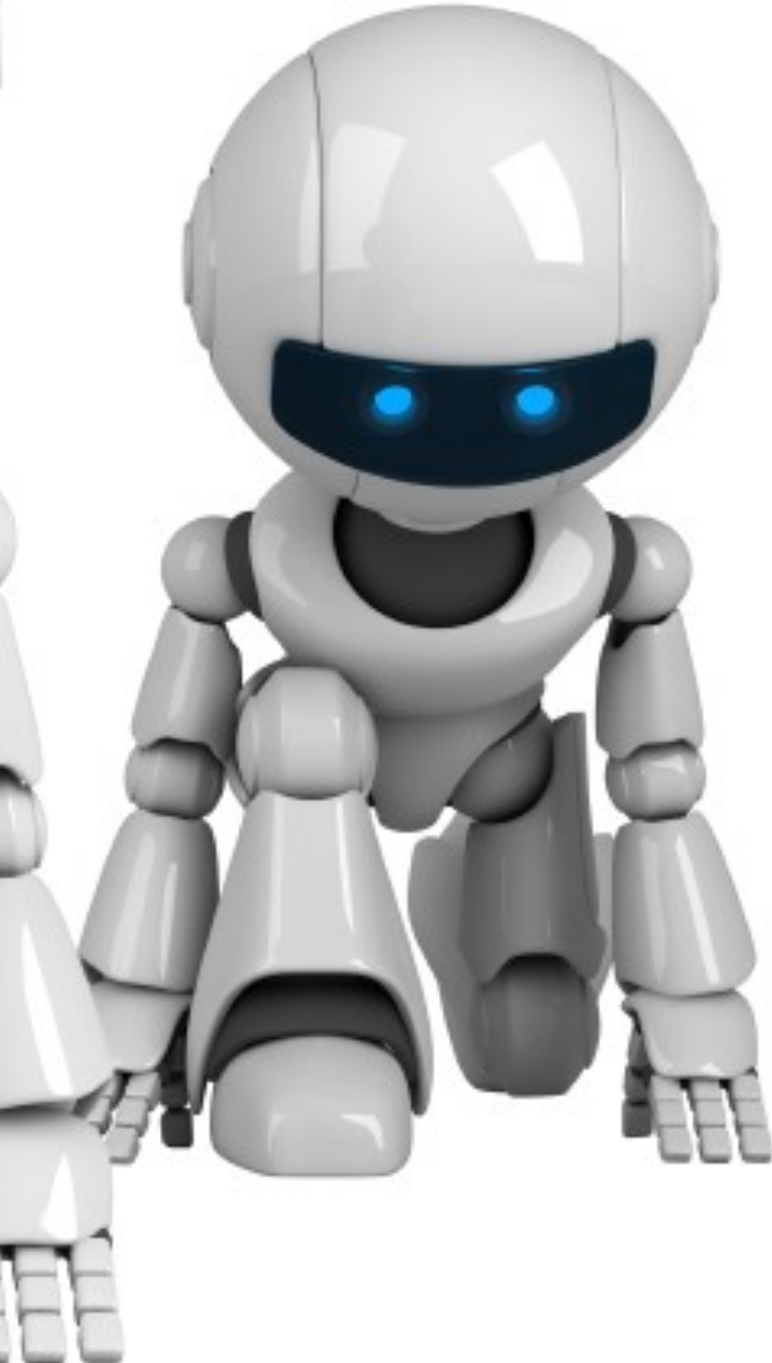
Further thought should also be given to those items which are in the long tail category. With more products in the long tail segment than in the currently active category a repricer again proves it worth by maximising prices continuously.

As way of an example consider that you sell on eBay but have not been using a repricer. You will have set your prices to win business and will be winning sales from old and perhaps obscure back catalogue items. But have you maximised your price? You have access to an item that someone desperately wants, but because you set the prices manually you are likely to be selling it at a level that is too low. Using a repricer removes that scenario – it will move your prices up so that you are maximising your income from those long tail items. Long tail items that don't sell frequently deserve to generate you as much income as possible, that is why software repricing is so important.

Summary

Repricing is not a race to the bottom. It's a necessary tool for shrewd retailers who have worked hard at getting their stock at the right price and minimising their costs throughout the supply chain. Repricing ensures that those shrewd retailers are rewarded with a maximised margin, not a minimised one. And for sellers of thousands of long tail items, repricers drive up their prices maximising margin on items that have become difficult to find or even rare.

To assert that repricers drive prices to the floor is to fail to recognise that the sale price of items is a feature of the hard work and tenacity of all in the supply chain especially the retailer. If you have worked hard to get the right product at the right price you deserve to sell it at a maximised margin. Repricers are merely a tool to ensure that your hard work is realised by a maximised financial reward.



Calculating your final listing price, are you worried about costly errors?

Introduction

For ambitious, growing online retailers it is essential that when it comes to calculating final listing prices on the global marketplaces, such as Amazon, there is no room for error.

Listing items, without having fully calculated the costs involved, can result in a business that either never sells anything because the pricing is too high, or which provides goods at unprofitable levels. Either scenario results in frustration, anxiety and ultimately a business in liquidation. And calculating an incorrect final listing price might mean you buy stock that you simply can't sell.

But why should the calculation be a cause for any concern? Surely calculating a final listing price, to list your items at, requires nothing more than adding a fixed percentage to the base cost of the goods in question? Add 80% or 120% or 300%, whatever you have decided covers all your costs and leaves a little margin for profit.

That sounds, on the face of it, to make sense but it's necessary to look at how to calculate your final listing prices much closer if you are to avoid costly mistakes. To ensure your items are priced correctly you need to look at the detail.

When arriving at a final listing price you'll have to consider a number of factors.

- The VAT applicable.
- The Post and Packaging costs that are *wrapped* up into the final price.
- The commission that the marketplace will charge based on the final listing price.
- Credit Card or PayPal fees based on the final listing price.
- Any additional fixed fees that may apply, such as FBA on Amazon.
- And of course your own mark-up, either based on a percentage of the base price and/or a fixed margin on top.



Calculating a final listing price

We've created a formula to help you calculate your final listing prices. And we'll work through how we did that. The explanation requires some basic knowledge of algebra.

We've looked at how your final listing price is calculated on a range of marketplaces and came up with what we believe is a reasonably standard way to arrive at a final listing price. The list of costs below may need adjusting depending on the exact nature of the marketplace in question, but we believe our calculation handles most situations and should be easily modified if required.

Your final selling price, before VAT is applied, is made up of several cost and profit elements:

- a) **Cost of goods, excluding VAT**
- b) **Your fixed mark up on cost of goods**
- c) **Your percentage mark up on cost of goods**
- d) **Postage and packaging**
- e) **Marketplace Percentage fees calculated on the final listing price**
- f) **Any additional listing fees calculated on the final listing price**
(this might be a separate listing charge and/or your Credit Card/PayPal charges)
- g) **Fixed fees from the marketplace and any other source such as payment processing**

To simplify this lets pull out those items you have most control over and call that your BASE PRICE.

$$\text{BASE PRICE} = (a) + (b) + (c) + (d)$$

$$\text{BP} = (a) + (b) + (c) + (d)$$

So, in summary, the BASE PRICE is the Cost of Goods, plus your mark up (percentage and/or fixed), plus Postage and Packaging.



You will have noticed that the BASE PRICE does not include your marketplace fees or any separate listing fees, so let's look at how those are calculated.

$$FEES = (e) + (f) + (g)$$

$$FEES = (\text{Marketplace Commission Percentage} * \text{Final Listing Price})$$

+

$$(\text{Listing Percentage} * \text{Final Listing Price})$$

+

$$(\text{Marketplace Fixed Fee})$$

$$FEES = (MCP * FLP) + (LP * FLP) + (MFF)$$

Unsurprisingly then, FEES are simply the addition of all the fees that you may be exposed to. So the FINAL LISTING PRICE net of VAT is the fees plus your base price.

$$FINAL LISTING PRICE \text{ net of VAT} = BASE PRICE + FEES$$

$$FLP \text{ net of VAT} = BP + FEES$$

And if we add in the multiplier for VAT:

$$FLP = VAT * (BP + FEES)$$

However, you may have noticed from the formula above that to calculate the FEES you need to know the FINAL LISTING PRICE. But you can't accurately calculate the FINAL LISTING PRICE unless you calculate the FEES. You need to know the Final Listing Price before you can calculate the Final Listing Price! So how can you get around this Catch-22 issue? This is where a little knowledge of algebra comes in very useful. If we look at our calculation again we see that if we add in all the various elements it looks like this:

$$FLP = VAT * [(BP) + (MCP * FLP) + (LP * FLP) + (MFF)]$$

Now we can multiply out and rearrange the elements so that we can find out what the FLP (Final Listing Price) is:

$$FLP = VAT.BP + VAT.MCP.FLP + VAT.LP.FLP + VAT.MFF$$

Move all the FLP elements to the left hand side:

$$FLP - VAT.MCP.FLP - VAT.LP.FLP = VAT.BP + VAT.MFF$$

Now extract the common FLP variable from those elements on the left hand side:

$$FLP(1 - VAT.MCP - VAT.LP) = VAT.BP + VAT.MFF$$

And extract the common VAT element from the right hand side:

$$FLP(1 - VAT.MCP - VAT.LP) = VAT(BP + MFF)$$

And finally divide the right hand side by the elements in brackets on the left. We now have a formula that when we plug in the various known values will generate the FLP (Final Listing Price):

$$FLP = VAT(BP + MFF) / (1 - VAT.MCP - VAT.LP)$$

The example overleaf will help explain this more.



Example:

Let's use the formula to calculate a FINAL LISTING PRICE for an item. In this example we are assuming that the Marketplace Commission Percentage includes any Card Processing Fee – so it's an example useful for calculating your Amazon Final Listing Price.

Let's assume:

- The BASE PRICE (BP) is £5. This is the Cost of Goods including P&P, and margin;
- The VAT rate is 20%;
- The Marketplace Fixed Fee (MFF) is £0.20;
- The Marketplace Commission Percentage (MCP) is 15%;
- And the Listing Percentage Fee is 1%.

If we plug in those values we can calculate the Final Listing Price:

$$\begin{aligned}
 FLP &= \text{VAT}(\text{BP} + \text{MFF}) / (1 - \text{VAT.MCP} - \text{VAT.LP}) \\
 FLP &= 1.2 * (5 + 0.2) / (1 - 1.2 * 0.15 - 1.2 * 0.01) \\
 FLP &= 6.24 / (1 - 0.18 - 0.012) \\
 FLP &= 6.24 / 0.808 \\
 FLP &= \text{£}7.72
 \end{aligned}$$

So to be sure that you can sell an item, where £5 covers your P&P, Cost of Goods and Profit Margin you need to sell it at a price of at least £7.72. Where the £7.72 covers all your other overheads, VAT, Listing Fees and Marketplace Fees.

Consider if you had applied a rough rule of thumb instead. Perhaps you multiply the Base Price up by the VAT level and then again by the Marketplace and Listing Commissions before finally adding on any fixed Marketplace Listing Fees. You might end up with a calculation that looks like this:

$$\begin{aligned}
 \text{Total} &= \text{BASE PRICE} * \\
 &\quad \text{VAT} * \text{MARKETPLACE COMMISSION RATE} * \text{LISTING RATE} \\
 &\quad + \text{FIXED FEE} \\
 \text{Total} &= 5 * 1.2 * 1.15 * 1.01 + 0.20 \\
 \text{Total} &= \text{£}7.17 \text{ WRONG!!!!}
 \end{aligned}$$

This would give a Final Listing Price of £7.17 and produce an error of 55p, enough to wipe out a large part of any profit on an item that you had decided had a BASE PRICE of £5. And perhaps even allowing you to sell at a loss.

If you are still not sure about our formula then why not work backwards?

- The VAT (20%) on an item listed at £7.72 would be £1.28.
- The Marketplace Commission (15%) on that item would be £1.16.
- The Listing Percentage (1%) on that item would be £0.08.
- The Marketplace Fixed Fee is 20p.

Adding those charges up gives us £2.72 which if we subtract from £7.72 gives us our £5 Base Price. Try our formula with a few other values if you are still unsure, or why not build a little spreadsheet?





Summary

Attention to the detail of how the Final Listing Price is calculated is essential if you want to arrive at prices that ensure your business is successful.

From the example provided it is clear that significant errors can creep in if your assumptions are inappropriate. Of course, once you have become familiar with the detail surrounding the calculation of the Final Listing Price you can begin to build some accurate rule of thumbs to quickly arrive at margins that cover all of the overheads.

For those not familiar with algebraic manipulation the arrival at the formula below may appear a complicated process.

$$FLP = \text{VAT}(\text{BP} + \text{MFF}) / (1 - \text{VAT.MCP} - \text{VAT.LP})$$

But it should be clear that using anything less sophisticated results in a potentially large and costly issue. Implementing the formula in a spreadsheet will give you an easy way to check your prices and also allow you to add your own refinements.

Further spreadsheet work would also allow you to look at the mark-up from Cost of Goods right through to Final Listing Price giving you the chance to arrive at a logical rule of thumb when considering how best to price and what price you need from a supplier for the item to be sellable.

Marketplaces from around the globe, *should you be looking at them?*

Introduction

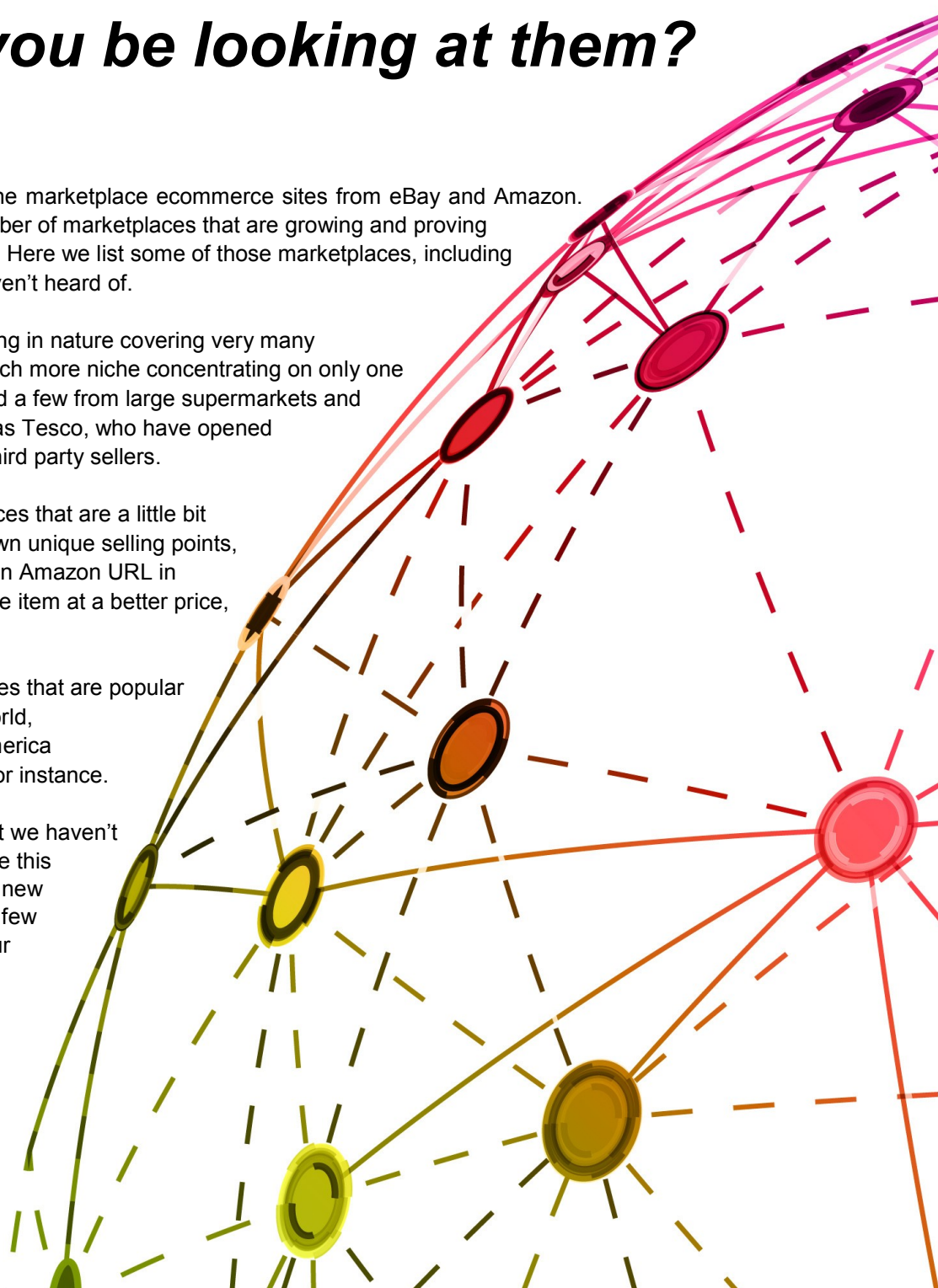
We are all familiar with the marketplace ecommerce sites from eBay and Amazon. But there are a large number of marketplaces that are growing and proving popular around the globe. Here we list some of those marketplaces, including a few we suspect you haven't heard of.

Many are very wide ranging in nature covering very many categories, others are much more niche concentrating on only one or two. In the list you'll find a few from large supermarkets and department stores, such as Tesco, who have opened up their popular sites to third party sellers.

You'll also find marketplaces that are a little bit different and have their own unique selling points, Flubit allow you to enter an Amazon URL in order that they can find the item at a better price, for instance.

And then there are the sites that are popular in differing parts of the world, Mercadolibra in South America and Lazada in Malaysia for instance.

There are many more that we haven't covered here, but we hope this list inspires you to look at new options and to seek out a few more that are right for your business.



BrandAlley – www.brandalley.co.uk

BrandAlley is principally focussed at fashion and offers flash sales in addition to conventional permanent promotions of its goods.

Bubbles – www.lookupbubbles.com

The site aims to find the best price possible for shoppers. Registered members are alerted when the product they are looking for has been found at the best price. The aim is to remove the need for shoppers to visit multiple sites looking for the best price on a particular item.

Cdiscount – www.cdiscount.com

Cdiscount claim to be the number 1 site for e-commerce in France – though a few others also make claim of that title.

The site itself is wide ranging, covering a comprehensive range of categories: Household, Garden, Pets, Electrical, Car, Fashion, Baby, Media, and more, pretty much every category you would expect to find on a large established marketplace.

Since 2011, third party vendors have had access to "C market", allowing them to sell within the Cdiscount site. Sellers listing the same items compete on price, customer feedback and shipment dates. And they may elect to offer free shipping or specify the price of postage.

If required, stock storage and order fulfilment is available via their "C logistique" service for vendors.

[You can here us talk to Cdiscount on our Podcast by clicking here.](#)

Etsy – www.etsy.com

Etsy is a niche but growing marketplace selling items which are presented as unique or difficult to find. The site originally focussed on hand made, arts and crafts, though has extended what it offers to increase its appeal.

A wholesale side of Etsy allows retailers to buy from suppliers.

Flipkart – www.flipkart.com

Flipkart allows third party sellers to sell in a wide variety of categories. 80 categories cover everything from Books to Electronics and Home. Originally launched in 2007 the site has over 80 million products listed and 100 million registered users.

SKU Cloud – www.skuccloud.com

SKU Cloud push your products into a range of interesting places such as newspapers and daily deal sites. As well as onto Flubit (see below).

Flubit – www.flubit.com

Flubit allows shoppers to search for products in order to see if Flubit can source it cheaper than Amazon. Retailers who want to join the service can sign up at SKU Cloud.

Fnac – www.fnac.com

Fnac are a leading high street retailer in France and other European countries. They provide a European wide marketplace.

Fruugo – www.fruugo.com

Fruugo is a wide ranging marketplace open to third party sellers. Sign up is online.

Game – www.game.com

Game is a high street retailer of Computer Games and gaming equipment. It's online marketplace is open to retailers and is targeted at the same niche.

Hitmeister – www.hitmeister.de

German site, Hitmeister, has 22 million products listed and approximately 3000 different product categories. They have over 2.5 million customers.

Jet – www.jet.com

Jet is a marketplace open to third party sellers and owned by Walmart.

La Redoute – www.laredoute.fr

La Redoute is a long established mail order business, though now has a popular online marketplace. The site offers ready to wear fashion apparel for all the family, as well as home furnishings. La Redoute have multiple country sites and also offer a marketplace for third party sellers.

Lazada – www.lazada.com.my

This Malaysian marketplace has 5.3 million users and is open to third party sellers. There are an estimated 27000 sellers on the platform.

Mercadolibra - www.mercadolibre.com.ar

Mercadolibra is a Latin American eBay type site which supports auctions and direct fixed price sales. Mercadolibra is also available in parts of Europe.

Newegg – www.newegg.com

The Newegg marketplace has over 30 million customers and allows retailers to sell on a commission basis of between 8% and 14% depending on category. Shipped By Newegg is their fulfilment service. They also provide a business service allowing retailers to target US based businesses.

Not on the high street –**www.notonthehighstreet.com**

Not On The High Street like to offer goods that are niche, unique or difficult to find. The site enjoys around 2 million unique visitors per month. Retailers selling on the site are levied a commission level of 25%. The joining fee is £199.

Pixmania – www.pixmania.com

Pixmania operates across 14 European countries and specialises in technology and electronic goods. Their third party marketplace is promoted as Pixplace and is able to boast over 10 million returning customers.

The site operates on a commission basis, with fees from 7% together with a modest subscription cost.

Priceminister – www.priceminister.com

Priceminister is one of the many marketplaces owned by the Rakuten Group. Originally founded in 2000 it was acquired by Rakuten in 2010.

It is a comprehensive site offering electronics, media, books, toys, baby care, clothing etc.

It operates across 20 countries and has around 5000 sellers.

Fees vary depending on country and category.

Rakuten – www.rakuten.com

The Rakuten group own a number of marketplaces and have been rebranding them to the Rakuten brand. They cover territories from the USA to Japan.

Rue du Commerce - www.rueducommerce.fr

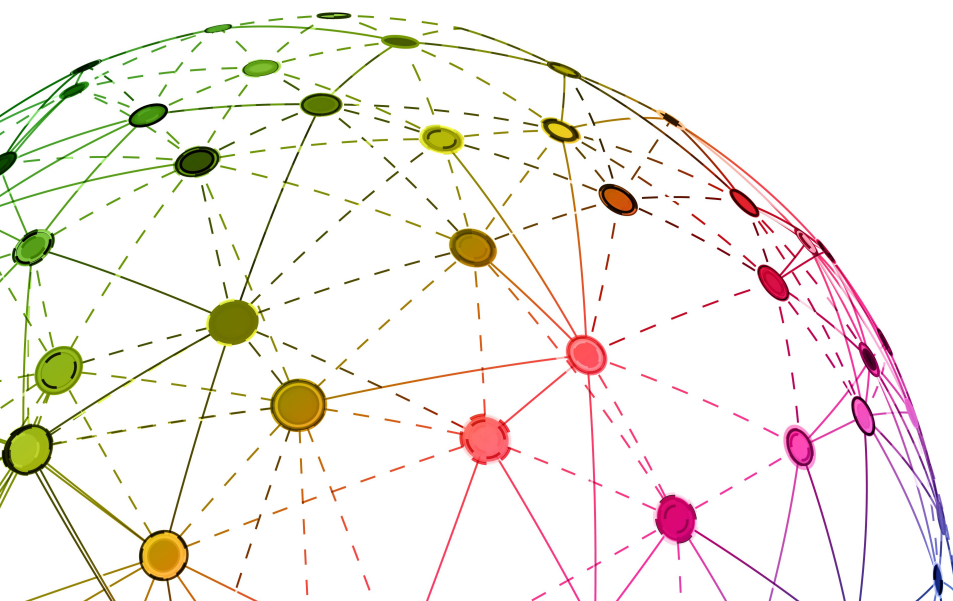
This French site covers a wide range of categories including Fashion, though does tend to focus on the electronics and technology sector. Promoted as Gallery Marketplace, they offer a marketplace for third party sellers.

They are owned by Carrefour.

Sears – www.sears.com

Sears provide a marketplace for third party sellers. A monthly fee of \$39.99 is charged in addition to commission based fees. Commissions vary from 5.5% to 17.50% depending on the category.

The services that Sears offer include a Fulfilled By Sears option.



Snapdeal –

www.snapdeal.com

Snapdeal make claim to be India's largest online marketplace. It allows retailers to sell their

Spartoo – www.spartoo.co.uk

Spartoo is a French company with a presence in 30 countries around Europe including the UK. It specialises in shoes

Taobao – www.taobao.com

Taobao is a Chinese consumer to consumer site and is the sister site of Tmall. Between the two

Tesco – www.tesco.com

The Tesco marketplace is a closed

Tmall – www.tmall.com

Tmall is owned by the Chinese ecommerce giant Alibaba Group. The

Trademe – www.trademe.com

This New Zealand site allows sellers to create auctions as well as fixed price

Walmart – www.walmart.com

In addition to its own significant online offering, Walmart allow approved retailers to sell through their marketplace, significantly extending the number of items available on their site. The claim 110 million shoppers.

Zalando – www.zalando.co.uk

Zalando specialises in fashion and footwear and offers a Partner Program to third party sellers who meet their requirements.

Zalando have a strong presence in 15 European countries.



Getting started on Amazon, *do you know your ASINs from your EANs?*

Introduction

When you have decided to sell on Amazon you will quickly find that you need to become comfortable with a range of acronyms and abbreviations. Here we explain the most common terms you will come up against and help to explain what you need to know.

Getting to know the acronyms – the catalogue listing

Amazon sells all of the items on its site from a catalogue. If your items are already in that catalogue you can sell them by simply referring to the specific item - you don't need to upload a description or title as it is already there.

When an item is added to the Amazon Catalogue for the first time it is given a GCID – a Global Catalogue ID – so every item gets a number associated with it. In addition to that GCID, when a retailer adds an item to the Amazon Catalogue they may choose to provide a Standard Product ID – a barcode. Normally adding a barcode is essential, though in some cases where the product added is manufactured by the company listing it, they may instead choose to simply refer to the part number of the item and avoid the need to create a barcode. The Amazon recommendation is to make use of a barcode. If you are adding your own manufactured or licensed products you can find out more on the Amazon Brand Registry pages within your Seller Central account.

Barcodes are everywhere in the retail landscape and a number of international standards exist to manage them. Typically you'll be able to obtain the correct barcode from the supplier or manufacturer of the items you are selling.

The source of the ASIN

As we know Amazon started as an online bookseller, so it seems appropriate to start with mentioning ISBN. The International Standard Book Number (ISBN) appears on the rear of most books and identifies the country, the publisher and the book. The ISBN numbering system has been extended over the years, but always starts with the letters ISBN.

The ISBN leads us to the ASIN, Amazon Standard Identification Number. To begin with the ASIN was simply the same as the ISBN – remember Amazon started as a bookseller. But when Amazon increased its number of categories it also had to extend the use of the ASIN. Each product within Amazon has an ASIN and if you want to sell items on Amazon you'll need to find out what the ASIN is.

Originally ASINs were unique but as the number of products and the number of country specific Amazons increased ASINs began to repeat. So an ASIN in one country may not necessarily refer to the same product as it does in another. Amazon have been steadily addressing this and regularly update sellers on where ASINs have been brought into line. Nonetheless, the lack of unique ASINs can be a frustration, which brings us to the need for Standard Product IDs.

Standard Product IDs – EANs and UPCs

We've already mentioned one Standard Product ID – the ISBN. So let's look at the other barcodes.

The EAN, European Article Number, is widely used across Europe and other parts of the world. Just as with the ISBN it is a highly structured series of digits, the first few indicating the country – for instance 50 represents the UK. The remaining digits define the manufacturer and product in question.

The UPC, Universal Product Code, is an American standard used throughout America and North America. Most barcode readers can read both EAN and UPC barcodes.

Global Trade Item Number

It should be becoming clear that although there are a range of terms it is, nonetheless, all reasonably straightforward.

Amazon uses a Global Catalogue ID to manage its extensive catalogue, but each product on the site is allocated an ASIN. Because ASINs are not perfect, it's important to identify the product with a barcode – normally in an EAN format, or ISBN format if a book of course.

Now that you are familiar with the importance of EAN and UPC barcodes you may wonder who controls them and where you can acquire barcodes if needed. EAN and UPC barcodes are both examples of what is called a GTIN – Global Trade Item Number. The standard for GTIN's, is controlled by GS1.org, an organisation that controls various international standards. However, you have multiple options on where to buy your barcodes and some barcode sellers will provide you the barcode in UPC and EAN formats, and in a variety of image formats.

Lastly let's briefly mention Stock Keeping Units or SKUs. SKUs can take any form and are used by the holder of the stock to assist in tracking and storing the goods. You may elect to use the SKU of the supplier or to add additional information to it, there is no standard. It's simply your preferred way of identifying your stock.

Summary

It's easy to get overwhelmed by simple jargon but by now you should be a lot more comfortable on what all the terms are and where they come from, in short here is what you need to know:

GCID – the Amazon Catalogue Identifier. Allocated when an item is added to the Amazon Catalogue.

ASIN – The Amazon reference for the product. Though not necessarily unique, so you need to have a barcode.

Standard Product ID – a barcode in EAN or UPC format or other format such as ISBN. You can buy these from a variety of sites.

SKU – your own internal numbering system for managing your stock. Whatever works for you!

Hopefully you now know your ASINs from your EANs.



The Amazon Buy Box, *is it really that difficult to win?*

Introduction

The Buy Box on Amazon is one of the most fiercely fought over pieces of ecommerce real estate on the planet. Winning it, and winning it regularly will increase your sales, but what are the characteristics you'll need to have to make winning it possible?

Amazon give fairly clear guidance on what they expect from Buy Box winners. Excellence in all areas! That may be a rather succinct summary but it's not too far from what you will find.

The importance of FBA

The most obvious requirement is that some categories require you to be using Fulfilled By Amazon in order to qualify for the Buy Box. These categories include Music, Video and DVD categories, so if you are not using FBA don't expect to win the Buy Box in those categories.

If we consider why Amazon put that requirement on winning the Buy Box for DVDs, we get a valuable insight into how their thought processes work. DVDs are among those items that can be described as Fast Moving Consumer Goods, knowing that there is guaranteed available stock is clearly important to Amazon. Why would they promote a seller if they felt that the order might go un-fulfilled?

Taking this further it would seem reasonable to assume that when you are competing for the Buy Box, stock availability is vital regardless of the category. And it would seem a sensible enough deduction that if that stock is held in FBA that your chances would increase of that win.

Price versus quality

So what of price, surely that must be the most important aspect when winning the Buy Box? Surprisingly perhaps, Amazon is quite clear that the lowest price is not necessarily the winner. Again this gives us a clue as to the thought process behind their Buy Box strategy. It clearly emphasises that winning is based to a large extent on other quality measures. So what are these other measures and is there a way to order them in a manner that gives some guidance to a win hungry retailer?

The influencers

Here is the order that we feel gives a fair impression of how Amazon decide on the winner.

- Stock availability and fulfilment reliability
- Price including the postage and packaging
- Time to ship
- Order Defect Rate
- Seller Rating

As you can see we feel that price matters, and matters a lot, but we also know that the reliability and speed of service is vital when arriving at who should win the Buy Box. If the time to ship is not within a few days it's likely that the stock isn't held by the seller – why take the risk and promote that seller over someone else prepared to deliver within say 48 hours?



We also believe that an Order Defect Rate approaching the 1% level set by Amazon is likely to result in losing the Buy Box. The ODR covers negative feedback, A-to-Z claims and credit card chargebacks. Any of these reflect badly on Amazon, so again why would Amazon take a risk with a retailer that they see as potentially problematic?

Finally, and perhaps the catchall, if the rating of the seller is in the low 90's then why take the risk that the order won't be processed on time, or that the goods won't be as described? With so many sellers on Amazon why take the risk?

Managing feedback

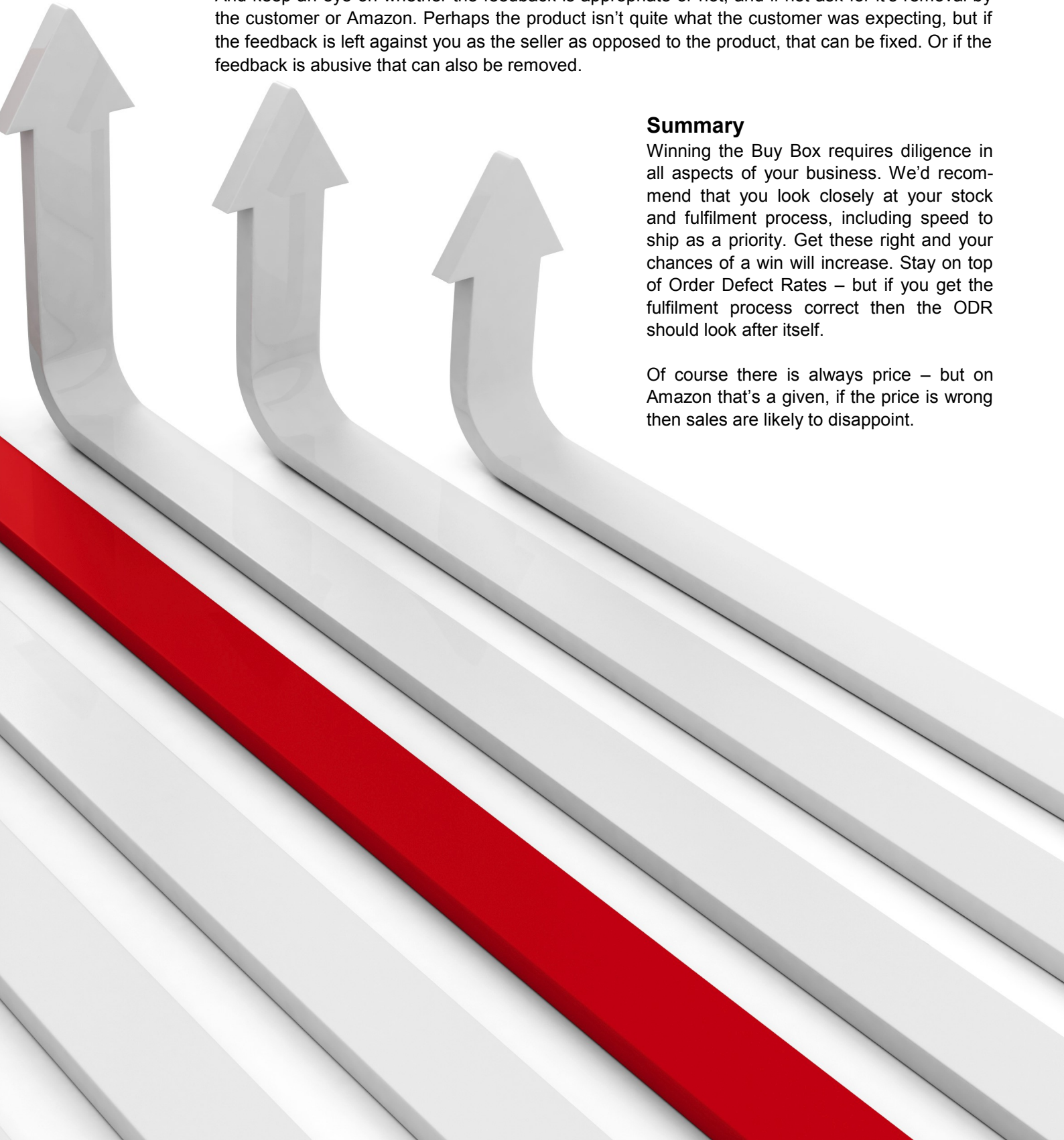
By now you'll know that your feedback score is important. We recommend working with customers when they are unhappy, if you resolve the problem well then they might remove the negative comment. We can all tend to say things that are rather strong in the "heat of the moment". So work hard to resolve complaints well.

And keep an eye on whether the feedback is appropriate or not, and if not ask for it's removal by the customer or Amazon. Perhaps the product isn't quite what the customer was expecting, but if the feedback is left against you as the seller as opposed to the product, that can be fixed. Or if the feedback is abusive that can also be removed.

Summary

Winning the Buy Box requires diligence in all aspects of your business. We'd recommend that you look closely at your stock and fulfilment process, including speed to ship as a priority. Get these right and your chances of a win will increase. Stay on top of Order Defect Rates – but if you get the fulfilment process correct then the ODR should look after itself.

Of course there is always price – but on Amazon that's a given, if the price is wrong then sales are likely to disappoint.



Cross Border Trade, *are you acting legitimately?*

Introduction

If you are a retail business based in the EU selling in the EU then you'll need to consider how your business treats, collects and pays VAT.

In the UK, if your business does business of more than the VAT registration threshold (£83,000) in one year, then you will need to register for VAT. This will oblige you to collect VAT on applicable sales. You'll need to make a quarterly VAT return to show your VATable income and outgoings.

If your retail business sells into other EU states it requires to monitor the annual sales into each country. If you sell more than the Distance Selling Threshold into a particular country then you will have to register for VAT in that country and submit a return. The VAT Distance Selling Threshold varies per country – it can be either EUR 100,000 or 35,000. A full table is available on the EU website.

So far, so predictable.



Downloadable goods, TBES and MOSS

However, a slight complication was introduced in 2015 with changes in how electronically supplied services are to be treated when made from a Business to a Consumer.

These changes apply to Telecommunications, Broadcasting and Electronically Supplied Services (TBES), covering items such as downloadable music and computer games. So the good news is that if you do not supply such downloadable type broadcasts, this section doesn't apply to you.

Prior to the 1st January 2015 the place of supply for such TBES sales was deemed to be where the suppliers business carried out its business, which makes good sense. However, since 1st January 2015 the place of supply is deemed to be where the customer is. This clearly changes how the applicable VAT has to be treated. Levied VAT on such sales now belongs to the customer's country, not the suppliers. Additionally, there is no threshold for charging VAT on TBES sales – so VAT registration is required.

To account for VAT on TBES sales the retailer has a couple of options.

- To simplify things the retailer could opt to register with MOSS – Mini One Stop Shop. Registration for MOSS ensures that the supplier does not have to register for VAT in the customer's country, though they will have to be registered for VAT in their own, or in a country they do business in, to allow them to register for MOSS.
- The MOSS scheme, does simplify things to some extent but alternatively, the supplier could register for VAT in the customer's country and make a return locally.



Summary

If you are selling to consumers in other EU countries then you need to be registered for VAT in that country if you sell more than the Distance Selling Threshold for that country allows.

If you are already selling above the VAT Distance Selling Threshold in a number of European countries and you also sell TBES items, then it would seem to make good sense to continue along that path and register with each EU state as required. If however, you have never had to register for VAT outside of your own country then the MOSS scheme would seem appropriate.

Help with VAT registration and the treatment of VAT on sales is available from a number of specialist bureaus who will act locally on your behalf. This may well be a sensible approach if you are expanding your business via Cross Border Trade around Europe.

All this can of course change subject to the departure of the UK from Europe.

Listing on eBay, *can you navigate the costs?*

Introduction

Selling on eBay is essential if you are an ambitious retailer. It opens up an audience for your products of over 100 million and gives you a cost effective way to sell goods online.

Listing on eBay can be a little daunting at first, and for the uninitiated there are a number of listing options which can prove costly if chosen. Here we walk through the various costs and options for a typical Business Seller who is selling using fixed prices as opposed to Auctions.

Basically each item you list on eBay will cost you a few pence, just how much we explain later. When you list an item you can opt-in to use features that will enhance your listings further, each one adding to your listing costs. And finally you'll be charged an eBay final listing fee based on a percentage of the final price, and don't forget your PayPal fees as well, they'll also be charged based on the sale price you get.

Your eBay costs = Listing Fee + optional extras + eBay Final Listing Fee + PayPal fees

That's the basics – now let's break those items down to let you see where you can generate as much value for money as possible.

The Listing Fee and subscription levels

The Listing Fee depends on the level of Shop you have subscribed to on eBay. If you have not subscribed to a shop then each item you list will attract an insertion fee of 30p, this is fine for only the most casual of retailers and we don't recommend this.

Instead we suggest you opt for one of the three shops on offer. Basic, Featured and Anchor Shops, range in monthly subscription from £25 to £269. With each shop comes a listing package. The Basic Package includes 250 Listings with each additional listing costing 10 pence, a big saving on the normal price.

The Anchor Shop offers the best value, but only if you have tens of thousands of items that you are listing. The Anchor Shop comes with "unlimited listings", subject to fair use.

New sellers are best advised to start with a Basic Shop as eBay limits initial sales until they have had time to check the behaviour and performance of the retailer.

New sellers are also restricted from using automation tools for 90 days, again to give eBay time to check out their new seller.





Summary

For new sellers its best to start off reasonably modestly, eBay will restrict your sales anyway until they are happy with your behaviour. Nonetheless, to keep your listing costs down you'll need to subscribe to one of the shops.

If you avoid the optional extras when it comes to listings you'll keep your costs minimised, instead you'd be better to concentrate on the quality of the title and the description. That will help in the search results.

There is no escaping the commission on the final listing price – so if you are selling across more than one category make sure you know the relative costs to avoid any silly mistakes. And finally the more you sell the better things will look from a PayPal point of view.

Example:

If we now look at an example we can perhaps see more clearly what the costs are.

You list a few thousand items on eBay, predominantly in the electronics category. You have opted for the Featured store which gives you a typical listing price of 5 pence. Your average unit price is around £45 including VAT. You have not added any extras to the listing. Your PayPal charges based on a monthly sales level of £20,000 per month are 1.9% plus 20 pence per transaction.

Your eBay costs = Listing Fee + optional extras + eBay Final Listing Fee + PayPal fees

Your eBay costs = 0.05 + 0.00 + (0.05 * 45.00) + (0.019 * 45.00) + 0.20

Your eBay costs = 0.05 + 2.25 + 0.85 + 0.20 = £3.35

Your eBay costs for a £45 item sold in Electronics using a Featured Store are therefore, £3.35.

If that were an item sold in Clothing as opposed to Electronics the eBay Final selling fee rises to 10% from 5%, giving a total transaction cost of £5.60.

Listing options

Once you have decided on your Shop Subscription level and arrived at the related listing fee you are comfortable with, you can now look at the additional listing options that eBay offers for fixed price sales.

Gallery Plus: Your listing allows you to have up to 12 images associated with your item for sale, but an additional image feature is available which can enhance your performance in the Search results. The Gallery Plus feature at £2.50 allows your image in the Search results to be magnified when a potential customer hovers on the image. At £2.50 this is of best use when you are selling costly items, or items where you have a good margin built in.

Sub Titles: Adding a Sub Title to the listing is less expensive at £1. This may help with being found in the eBay Search algorithm, but we would suggest that with the correct optimisation of the Title, tags and description that it is a cost that can be avoided.

Listing designer: eBay also offer a very simple listing enhancement option which wraps a listing in a simple template. The templates are rather basic in nature and although they make a listing stand out we would recommend that sellers opt to create their own branded templates or source a template that is more in keeping with their business. Such a template can be applied to all their listings. This seems a much more effective option than adding 30 pence to the listing cost of each item.

Scheduler: There may be times when you want to schedule when a listing goes live, if this is the case then each listing that is scheduled attracts an additional fee of 10 pence. This seems to be of best use if you are releasing several hundred items at a particular time, or if a DVD can only be sold after a particular date.

Final listing fees and PayPal

Once your listing is live you now wait for the orders to roll in. Sales generated are then subject to a fee based on the final value. These fees are based on the category the item is listed in. Certain electronic items attract a 5% fee (up to a maximum of £20), Garden is 9% and so on. A full list of Final Value Fees is provided on the eBay site.

Lastly you will also be subject to PayPal fees, these vary based on your monthly sales made via PayPal. If you generate transactions in a month of up to £1500 you'll be charged 3.4%, though that will drop to 1.9%, if monthly sales are above £15,000. Regardless of your sales level each transaction also attracts a 20 pence fee.

Retail Calendar, *do you know your dates?*

Introduction

Let's take some time out to look at the events that can influence how retail and how your customers behave. From Burn's Night to Manic Monday, you'll find something to inspire your marketing and your stock purchases. We've also included a few odd ones as well, for instance did you know there was a Donald Duck Day? And don't forget if your markets are overseas you might want to look for local holidays and festivals in those countries.

January

New Year's Day (1st)

Burns Night (25th)

February

Ground Hog Day (2nd)

Valentine's Day (14th)

Six Nations Rugby Starts (till March)

Winter Olympics

March

St David's Day (1st)

Holi Day

World book day (UK)

Mothering Sunday

Formula 1 season starts (till November)

St Patricks Day (17th)

April

Aprils Fool Day (1st)

Easter Weekend

Oxford Cambridge Boat Race

Grand National at Aintree

World Snooker Championships (till May)

Queen's Birthday (Birth date, 21st)

World Earth Day

St Georges Day (23rd)

London Marathon

May

Star Wars Day (4th)

May Day (Bank Holiday)

Chelsea Flower Show

Spring Bank Holiday

FA Cup Final

June

Donald Duck Day (9th)

Trooping of the Colour,

Royal Ascot

Father's Day

Glastonbury Festival (not in 2018!)

July

Tour De France (till end of month)
British Golf Open
Pirates Day (also September)
Wimbledon Open Tennis Championships

August

Edinburgh International Festival and Edinburgh Fringe Festival (all month)
World Pipe Band Championships (Glasgow)
Qixi (Chinese Valentine's Day equivalent)
Notting Hill Carnival
Summer Bank Holiday

September

Wigtown Book Festival (to October)
Pirates Day (also July)

October

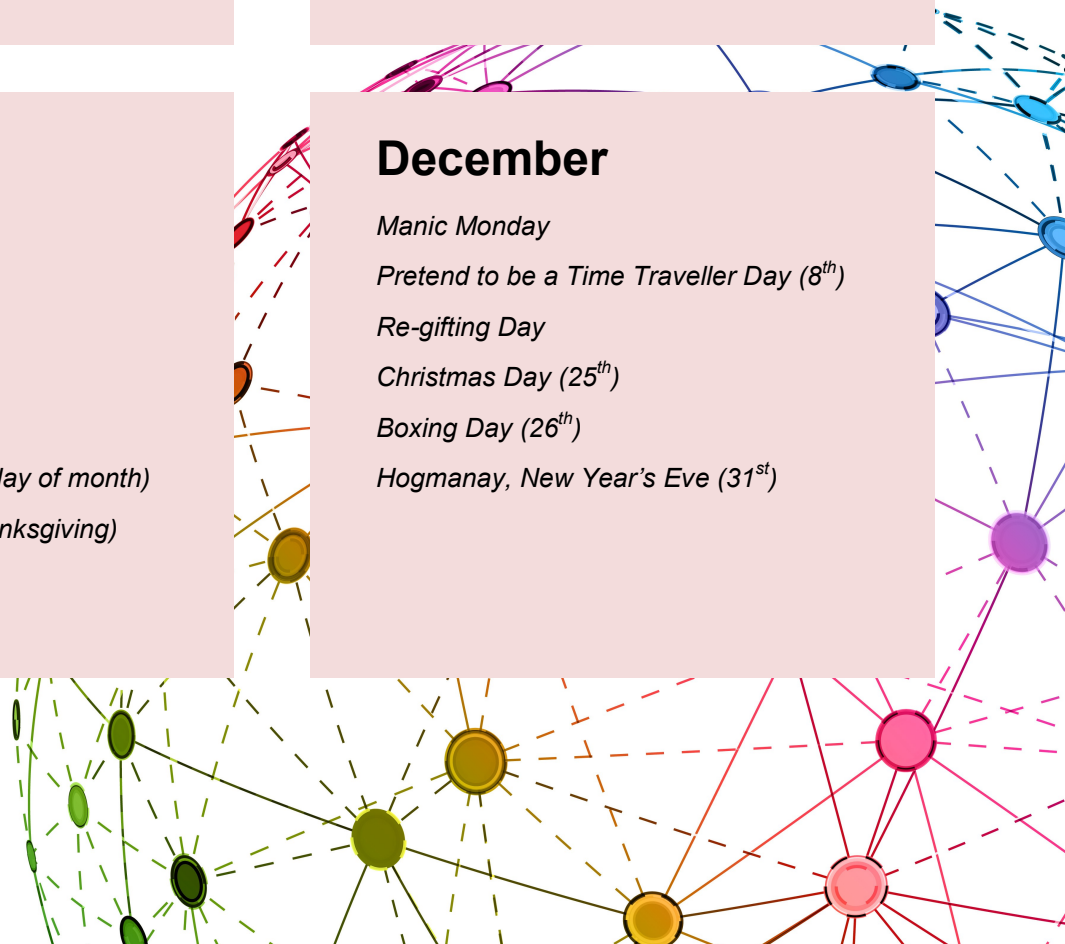
Hug a Drummer Day
Halloween (31st)

November

All Saints Day (1st)
Guy Fawkes Day (5th)
Remembrance Sunday
Sesame Street Day
London Jazz Festival
Thanksgiving (fourth Thursday of month)
Black Friday (day after Thanksgiving)
St Andrews Day (30th)

December

Manic Monday
Pretend to be a Time Traveller Day (8th)
Re-gifting Day
Christmas Day (25th)
Boxing Day (26th)
Hogmanay, New Year's Eve (31st)



Finding products, *do you need to be inspired?*

Introduction

Retailers, both old and new, are always looking for the next thing to sell at a profit. So what are the rules surrounding finding those all important products?

In the online world you no longer need to build a business that is targeted at a specific sector of the retail world. This opens up a new way of deciding what you want to sell - you no longer have to be an expert in say shoes, instead you can opt to become expert in finding anything that will sell profitably.

That's not to say that being an expert in a particular sector is a bad thing, or that it won't produce great results, it's simply to emphasise that there are new retail models that have emerged and that can be exploited.

The attributes of the ideal product

Finding the ideal products to stock will require a fair bit of desk based research. There are many things to consider, not least of which is will people buy it. You'll also want to think about what makes the ideal product for you, and then balance that against its likely popularity. Online retail is not a get rich quick scheme, it requires diligence and hard work, but to help you find the products you'll need we've set out the activities you need to be thinking about and the characteristics of what might be seen as an ideal product.

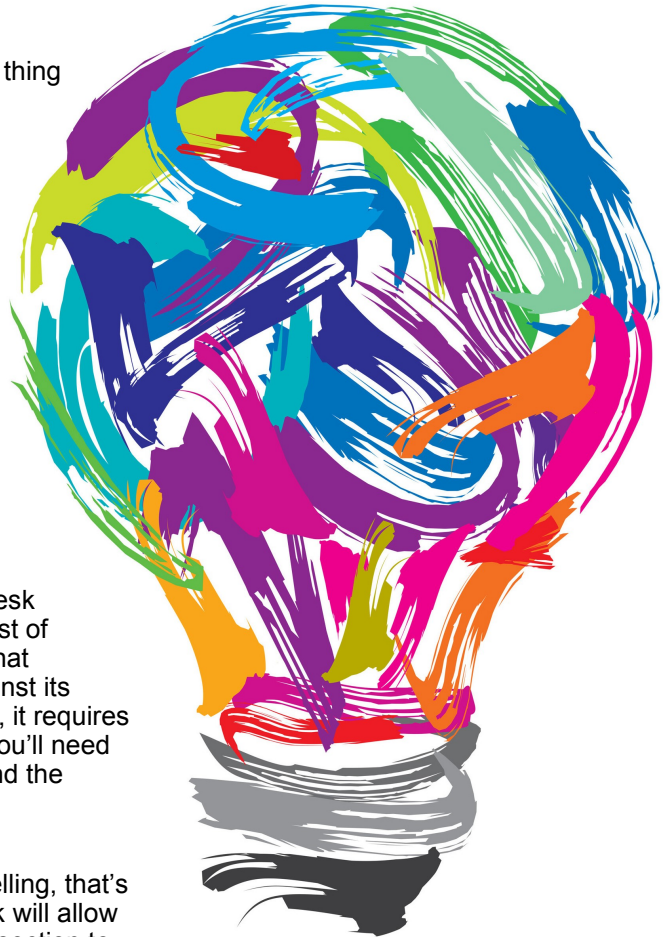
Research: Have a look on the places that you'll likely be selling, that's eBay and Amazon. Using them with tools such as Terapeak will allow you to delve into what sells, Amazon has a top selling item section to encourage you to do that research, so get busy looking for Best Sellers on all the markets. Remember you're looking for things that will sell at a profit, so don't let yourself get trapped into only thinking about one area of retail.

The supplier: Can you source the item from a supplier and will that supplier give you decent payment terms. Can they respond quickly if you need to fulfil orders because you're running low on stock. Regardless of who you end up dealing with you'll need to consider: minimum order quantities, sample prices, production prices, delivery times including any shipping, and payment terms. Sources like Alibaba provide an escrow facility which helps to de-risk the payment process.

If you are importing, because your supplier is from overseas, then you'll need to consider how best to bring goods into the country. FOB (Free on Board) is the most common method where the supplier is responsible for getting the goods to the port of departure and the buyer responsible for the ongoing shipping, customs and final transportation via a forwarding company.

Shipping to your customer: You may want to avoid selling things that are easily broken in the post as they will increase your packaging costs. And bear in mind the dimensions and weights of the items – couriers charge in bands so if your item just trips over a weight band then your costs will jump. Unbreakable, small, low weight items would be perfect, but perhaps not the easiest things to find, so don't be too quick to rule something out.

Drop shipping might seem appealing, but it can go horribly wrong. Best advice would be to start with only one or two items, if your drop shipper lets you down it's your Amazon and eBay feedback score that will suffer and you might get banned. So start small to let them earn your trust.



Margins and prices: You'll need to mark up your stock by 100% to 300%. So if it can't bear that then you need to consider why you would try to sell it. And you'll also want to think about where we all have our sweet spot when it comes to spending money. How often do you spend more than say £100 or £150 online? And at the opposite end of the spectrum, can you really make any worthwhile living selling something that only costs £2.50?

Last to the party: If there are lots of other sellers selling the same item then can you really make an impact? Maybe, but it would make better sense to start with finding an alternative item.

Stuff that goes wrong: It's one thing to handle returns because they are not the right size or not described correctly, but handling returns of electrical goods that don't function correctly requires proper procedures. If you are not set up to handle such returns, don't get involved.

Selling a brand: You might be attracted to selling a well known brand, but you'll have to be sure that you can compete on price and that you won't breach any rules set down by the brand owner, so be careful. Typically they'll get upset and stop you selling if you are undermining their brand values.

It should go without saying that you'll also have to avoid buying in items that use trademarks without permission, you'll end up in court if you do.

As an alternative why not create your own brand, the Amazon Brand Registry is a good way to establish uniqueness.

Be opportunistic: The best retailers are always aware of where a sales opportunity lies. Watch out for trends, remember the sudden rise in hi-tec scooters? And don't forget big events, things like the Rugby World Cup will generate sales of everything from mouth guards to rugby balls.

However, don't over buy, seasonality and opportunism can damage a business if you get it wrong.

Get samples: At some point you'll have decided that a few products might work so it's time to get on the phone or email or Skype and talk to a supplier or manufacturer. Ask for a few samples and make sure you sell yourself and the opportunity. You should also check basic terms to make sure you are dealing with someone that you can work with. Most things are negotiable, but if their opening positioning is miles from yours then it's probably not going to work.

Product collateral: Wherever you are getting your stock from you'll need images and probably barcodes. These can be generated by yourself of course, but if your supplier can do so then it's one less thing to worry about.



Dealing with Wholesalers

Everybody loves taking a call where someone is keen to buy, and Wholesalers are no different. So if you are looking around for new items to sell, don't be shy.

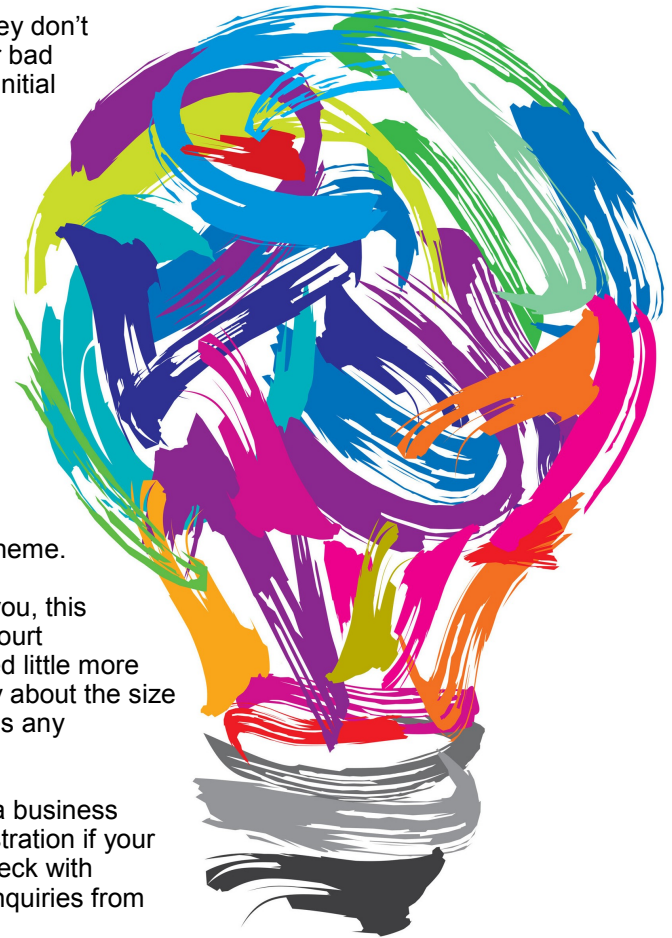
Wholesalers can be awkward to deal with initially though, they don't know you, so they don't know if you're going to be a good or bad customer. Why should they spend time with you when your initial orders are likely to be low?

Paying in advance normally convinces people that you are going to be a good customer, though this seriously destroys cash flow. Nonetheless, if you are starting up then you may have no choice, you can always adjust your terms once you have a little trading history with them to fall back on. To begin with buy in low volumes, you'll need to find out if you can sell the items as well as you are hoping. If you are testing the water with a new item you might want to buy it at list and see how quickly it sells, then you can decide if you want to go for it.

For larger values, when paying in advance doesn't appeal, services such as Escrow might suit, basically payment is held until you confirm delivery. Alibaba operate such a scheme.

Wholesalers will likely need to carry out some diligence on you, this might be a check on your trading history and any previous court judgments. Some might need a reference. Others might need little more than some headed paper and a cleared cheque. Don't worry about the size of your business, you can't really guess if the Wholesaler has any prerequisites on size, so get in touch and find out.

It's worth noting that some Wholesalers prefer dealing with a business that has a store front on the high street. This is clearly a frustration if your business model is to sell only online, so you may want to check with them if this is a genuine restriction or just one to get rid of enquiries from extremely small sellers.



Alibaba – finding suppliers on the world's largest B2B market

It's worth a few words on Alibaba, the gateway to the manufacturing might of China. You'll find inspiration there on what to buy and also ways to seek quotes from multiple suppliers. Choosing Gold Level suppliers with as many credentials as possible is the perceived wisdom and should be followed. Email is likely to be the best way to talk due to the ease with which it can be translated.

PayPal and using Alibaba Payment Escrow services are the lowest risk methods of paying for your goods.

Avoid anything that could be counterfeit and always seek to receive a sample prior to placing any business. If you can, start with modest order levels and build up trust.



Selling Apples – the iPhone world

The market in second hand iPhones, especially the latest release is always strong, but does decline quickly when a phone is about to lose its "latest release" appeal. Selling second hand phones and iPhones is a very healthy sector and is popular among those who are opportunistic and who have strong nerves.

To be successful at trading iPhones you have to be plugged into the market vibe and follow the news and gossip. Typically Apple tend to release new products at main events and conferences, so keeping a watching brief on the news and conference dates will help you judge when a new iPhone is about to be released. The marketing machine behind Apple, not to forget their legions of followers, ensures that the release of a new iPhone model is never a secret for long.

Typically Apple devotees will tend to sell their iPhone in anticipation of the new phone becoming available, this allows them to sell at a maximum second hand price as the phone still has maximum market currency.

However, prices will drop steadily leading up to a new release and following the release date. So it is important for retailers to have moved their stock out of the older model iPhones well in advance of the next release date. Otherwise they will be left with stock that no longer commands the price they were expecting. Apple themselves have previously deep discounted older models ahead of the next release, again creating a problem for those holding aging stock.

The reverse logistics world is complicated and many businesses specialise in recovering and refurbishing second hand phones. They may choose to sell them on themselves to the consumer or sell by volume to retailers. If you have any serious intention of becoming a trader in second hand phones then you'll need to seek out mobile recyclers, they typically have B2C sites seeking to buy phones from the public and are therefore easy to find.

If you are new to the second hand market then it's worth checking out the VAT rules surrounding the resale of such items. There are a variety of ways in which you can treat VAT when an item is second hand. Suffice to say that they are too complicated for us to go into in any detail here.

Researching whether or not you can make money from selling second hand phones is easy enough, eBay, Amazon, and sites such as Craigslist, make for good research tools and allow you to quickly see the going rate. We only caution that a new impending release can quickly change the going rate and destroy any profit.

Finally a brief word on stolen devices, each mobile phone is given an IMEI number. If you are concerned that a phone is stolen then this number can be used to check out your suspicions.



Summary

We have tried to cover a range of options to help you find the stock you need to build a successful business. We've covered what makes a good product, how to deal with wholesalers and even provided some words of advice and caution on Alibaba. And as an example of a specific niche we've explained some of the benefits of selling second hand iPhones.

Perhaps the best advice though is in finding a product that generates a healthy margin. In the online world you don't need to become an expert in a particular niche. Instead you need only become an expert in identifying what can generate a good income, it's as simple and as complicated as that.





About

Seller Dynamics is a marketplace management system allowing online retailers to easily manage their stock and sales across multiple global markets.

The system provides automatic repricing, order management and stock control.

Free trials, demonstrations and full information can be found at www.sellerdynamics.com.

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