

# Selling on Amazon's FBA Program Nathan Holmquist



### Introduction

"When you sell a man a book, you don't sell him 12 ounces of paper ink and glue — You sell him a whole new life." - Christopher Morley

When I first started playing poker, I assumed that the only way to win was with a good hand. But the more hands that I played, and the more books that I read on the subject, I had one of those "ah-ha" moments. I realized the quality of the hand is not always the key to winning. There are other factors involved in the game, such as position at the table and knowing your opponents. Once I figured this out, I felt as if I had an unfair advantage over the competition. I could take down the pot with even the most worthless hands by utilizing my position and knowledge of my opponents.

The same is true for selling books on Amazon. Some of the most worthless books can be sold for a profit by utilizing position and knowing your buyers. Fortunately, Amazon has a program that allows sellers to capitalize on this. It is called, Fulfillment by Amazon or FBA.

The purpose of this book is to:

- Show the benefits of using FBA
- Give step by step instructions on how to get started
- Provide some book sourcing techniques

This book is full of screenshots, because if you are anything like me, it's much easier to learn with visual examples. There are many pictures of actual sales, listings, and payments to help get the point across.

Please note that much of the information in this book is focused towards selling used books. However, many of the strategies and techniques can be applied to other categories on Amazon as well.

### **Part I: Benefits**

Fulfillment by Amazon is a program where you ship all (or some) of your inventory to Amazon's warehouse, where they store and fulfill orders on your behalf. When I first heard of the FBA program, I was extremely skeptical. I did not want someone else storing, packing, and shipping my books. I wanted to control my business. But, after using the program for a couple months, the benefits far outweighed any disadvantages. I will get into the exact benefits of the FBA program a little later in this section, but first I want to get to some examples.

### How to Profit with Fulfillment by Amazon

Let's get right to business, and learn how to sell books for a profit. Once you have joined FBA, it's time to learn about pricing strategies. With FBA, you can price books quite a bit higher than the competition and still make the sale. Here is an Amazon listing of a book with the lowest used price starting at \$11.99 plus shipping.





I was able to sell this book on Amazon FBA for \$45.99. That's over \$30 higher than the lowest price on Amazon. Here is a screen shot of the sale:

<u>Date</u> ▼	Transaction type	Order ID	Product Details	Total product charges
Jun 20, 2014	Order Payment	113-2598233-0415465	Measures for Clinical Practice and Resea	\$45.99

Here's another book that I recently sold. The lowest used price on Amazon is currently \$5.54 plus shipping.

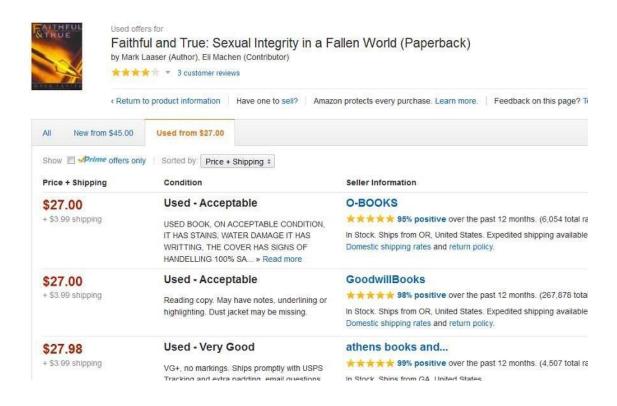


I was able to sell this book using Fulfillment by Amazon for \$34.99. That's over 250% higher than the lowest price (plus shipping). Here's a screenshot:



<u>Date</u> ▼	Transaction type	Order ID	Product Details	Total product charges
Jun 14, 2014	Order Payment	106-6281227-7560240	Assassin's Creed II: The Complete Offici	\$34.99

Here is one more example. This book has a low price of \$27.00 plus shipping.



This book sold for \$54.98 on Amazon FBA. That's almost twice as much as the lowest used price on Amazon. Here's a screenshot of the payment.

<u>Date</u> ▼	Transaction type	Order ID	Product Details	Total product charges
Jun 13, 2014	Order Payment	102-0216118-5712226	Faithful and True: Sexual Integrity in a	\$54.98

### **Advantages of the FBA Program**

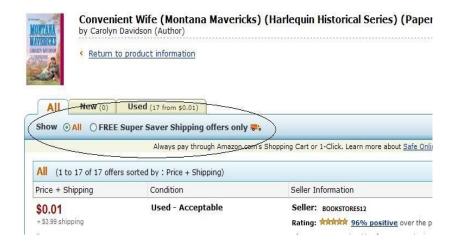
The reason these books are able to sell at higher prices is simply because of the advantages FBA gives to the buyer. Here are some benefits of the FBA program.

- FBA items are eligible for Free Super Saver Shipping
- FBA items are eligible for Amazon Prime
- FBA items can be shipped via one-day shipping
- Buyers know that FBA items will be shipped on time without having to know or trust the seller of record

### Free Super Saver Shipping

If a buyer spends more than \$35 on eligible products from Amazon, they qualify for free shipping. This is a big advantage, because buyers will often buy several books to take advantage of the free shipping. In fact, one customer bought 17 romance novels from me in one purchase.

Another advantage of Super Saver Shipping is the sorting button on top of the listings. Here is one example.





The circled area above shows an option to display either all of the listings or just items that are eligible for Free Super Saver Shipping. When the right button is clicked, as shown in the example below, only FBA items or Amazon's new items will be displayed.

### Here's an example:



In this case, the only book available is mine. Talk about a position advantage!

### **Amazon Prime Membership**

This is a membership program where, for \$99 a year, customers get free two-day shipping. I have been a member since March of 2007, and it is a great service. Everything I order from Amazon is through Amazon Prime, because I know that it will be at my doorstep in two days – sometimes one.

Amazon Prime members also have a sorting button on top of the listings. The button will display Prime Offers Only instead of Super Saver Shipping.



The circled area shows Prime offers only this time. If the Prime offers only button is clicked, only the FBA items and Amazon's new prices show up on the listings.



Amazon prime has been around since 2007 and, in my opinion, memberships will only grow over the next few years. This is great for FBA sellers, because the more prime memberships, the better likelihood of a customer buying an FBA book.

### **One-Day Shipping**

Amazon offers one-day shipping. If you shipped the books yourself, you could only use priority shipping for expedited orders. This method still takes 2-3 days to arrive. FBA items qualify for one-day shipping, which literally arrives the next day! In fact, I had one customer spend \$15.66 for a book that was only worth \$2.19 because he wanted it fast!

### **Buyers Know That FBA Items Will Be Shipped On Time**

I also firmly believe in this statement. I almost always prefer to buy a new book directly from Amazon because I know that it will be delivered fast with no hassle. However, if I were able to buy a used book with that same service, I might change my mind. Well, that's exactly what the FBA program does. Buyers can now buy used books and get Amazon's exceptional customer service.

#### **Statistics**

Just to drive these points home, I calculated some statistics for one month of sales. In that month, Amazon shipped out 310 orders on my behalf. Over 202 of those orders were from Amazon Prime customers, and 50 orders were from free Super Saver Shipping customers. That's 81% of my sales. I would not have had those customers if my items were not fulfilled by Amazon.

### **Advantages for the Seller**

### FBA Items Are Eligible for the Buy Box

When you list a book on Amazon through FBA, it is eligible to win the buy box. The buy box is simply extra exposure on Amazon. An example of the buy box is below. As you can see on the right, this book has an excellent position. Not only is there extra real estate, but this book is priced \$8 higher than the lowest non-FBA book, and it still shows up in the buy box.



### FBA Listings have the Amazon Logo

When you list an FBA item, your listing will include a logo that says "Prime" or "Super Saver Shipping" and the "Fulfillment by Amazon" logo. This extra marketing will help the Amazon Prime customer find your items.



### No Vacation Hold

This is one of my favorites. Since Amazon stores and ships the books, there is no need to put items on vacation hold. Summer vacations are twice as much fun when money flows into your payments account, and you're not worried about having to ship your book orders on time.

### **International Shipping**

All items are eligible for international shipping. There is no need to fill out custom forms or worry about the high shipping costs associated with heavy books. Although my percentage of international sales is small, it still allows more sales. Out of 310 orders last month, seven of those were from countries outside the US.

### **Customer Service and Returns**

Amazon handles all of this. When a customer wants to return a book, he/she is directed to do so through Amazon's customer service. Amazon will then give the customer a refund and re-list your book. Occasionally, I will get some customer inquiries. When this happens, I just tell them to contact Amazon directly. I have not had any problems doing this.

### **Costs of FBA**

### **Shipping Items to Amazon's Warehouse**

Amazon and UPS have a deal which gives FBA sellers deeply discounted shipping rates. It costs around 25 cents per pound to ship the books to Amazon's warehouse. If you decide to have UPS pick up the packages, there will be an additional fee.

### **Storage Fees**

In Amazon language, it is \$.45/cubic foot per month in January thru September, and \$.60/cubic foot per month in October thru December. In English, that translates to 1-2 cents per month for a paperback book, and 3-4 cents per month for a hardcover book. You will only be assessed these fees if the books are in the warehouse longer than a month. My last storage fee was \$39 for the month of May, and my inventory at the time was close to 4,000 books. Therefore, storage fees are approximately one percent of your total inventory per month. Not bad, considering what the costs would be to lease a warehouse and pay workers to ship your books.

### **Per Unit Fees**

When you sell a book on Amazon, you will have to pay fees of course. Here are the regular Amazon fees and the extra FBA fees.

Variable Closing Fee	\$1.35	(Regular Amazon Selling Fee)
Commission	15%	(Regular Amazon Selling Fee)
FBA Per Unit Fee	\$1.02	(FBA Fee)
Weight Based Fee	\$ .64	(FBA Fee)

Here is a screenshot of a book that I sold recently. You can view the fees here as well.

Amazon fees	Commission: FBA per unit fulfillment fee:	-\$1.49 -\$1.02
Buyer pays \$9.9		41.40
	Buyer pays	\$9.95

If these fees seem high, remember the pricing advantages that I mentioned earlier in the book. You can price higher with FBA and still make the sale.

## **Part II: Getting Started**

To start selling on FBA, go to Amazon's <u>website</u> and click on "Get Started." If you are already selling on Amazon, click on the "Add FBA to your Account" button. If you are new to Amazon, click on the "Register for Amazon Today" button.

### **How to List and Convert your Items to Amazon FBA**

Once you have your Amazon seller account set up, it's time to list your books on Amazon.

There are several ways to list your products on Amazon. You can either list through your seller account, or you can use a third-party listing service.

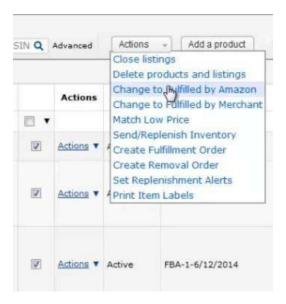
### List Directly from your Seller Account

To list directly from your Amazon seller account, click on the "Inventory" tab and then click on "add product." Then follow the directions from there.





Once your books are listed on Amazon, check the ones that you would like to send to FBA. Proceed with the on-screen directions.



Next, you will be asked to print the barcode labels. Put Avery 5160 label sheets into your printer and print.



Next, click on "Amazon-Partnered Carrier" and enter the weight of the box(es).



Finally, print out the shipping labels and affix them to your box. Take the box to the UPS store or you can schedule to have UPS pick up the package at your door.



### **List with a Third Party Listing Program**

There are several companies that offer a more streamlined approach to listing FBA items. I have tried them all, and they all work very well. They are:

- 1) <u>ScanLister.com</u> (recommended for listing books)
- 2) <u>InventoryLab.com</u>
- 3) Listtee.com
- 4) ScanPower.com

### Part III: Book Sourcing Techniques

Traditionally, used books can be found at library sales and thrift stores. To find a library sale near you, visit BookSaleFinder.com

For more detailed information on where to find used books, I highly recommend these two books:

- 1) Book Sourcing Secrets
- 2) Creative Book Sourcing

### How to Determine the Book's Value

When you are at a book sale or a thrift store, you will want to know the Amazon value before you make the purchase. I personally use a scanner from a company called Asellertool. Here is a <u>video</u> of my set-up in action.



The scanner shows the:

- 1) 5 Lowest Used Prices
- 2) 5 Lowest FBA Prices
- 3) 5 Lowest New Prices
- 4) Amazon Sales Rank
- 5) Number of Sellers Available

### Sales Rank

The sales rank is a number that can help you determine how fast a book will sell. There are currently over 14 million books listed on Amazon's website, so it's important to determine which books to buy. The lower the sales rank, the better chance it has to sell.

For example, a book with a sales rank of 1500 will most likely sell within a couple weeks. A sales rank of 500,000 or less will probably sell within six months. If a book has a sales rank of one million, it could take a year to sell.

The sales rank is simply a guide to use. I personally will buy books with a sales rank of up to 3 million if I can make at least a \$5 profit on it. The Amazon storage fees for books are extremely low. They are about 1-2 cents per month per book. So, even if a book takes three years to sell, that's only 72 cents in storage fees.

### **Advanced Book Sourcing Techniques**

Here are a couple of my favorite ways to find and sell used books.

### **Library Bag Sale Strategy**

Traditionally, most online booksellers obtain their inventory from the preview night of library sales. The preview night of a library sale will have the best selection of books, but there are also plenty of competitors as well. As a result, you are probably only going to get around 40-50 decent books. The good thing is that most of these sellers have a minimum non-FBA price requirement of around \$5 per book. That means there is going to be plenty of books left over that are worth \$4 or less. This can be a big advantage for you!

Online bookselling is a tough business, and you are going have to outsmart the competition. There is more to library sales than just the preview night. The last day of the sale usually hosts a bag sale for around \$5 per bag. This translates into a cost of 15-20 cents per book. This is the key. This is your chance to scoop up all the books worth \$4 or less. Don't worry, there will also be a few books worth \$20, \$30, or more that were missed from the preview night.

Remember at the beginning of the book, when I mentioned that you can price higher with Amazon FBA. We're going to use that same strategy on lower value books. For example, here is a book with a non-FBA value of \$1.92.



But instead of pricing at \$1.92, we're going to price on FBA at \$9.95. Here are the fees when you sell a book at \$9.95.

15% Commission:\$1.49Variable Closing Fee:\$1.35FBA Per Unit Fee:\$1.02Weight-Based Fee:\$.55

Total Fees: \$4.41

So, that will leave you with \$5.54 after all fees. Now, if you spend 25 cents on a book and spend another 25 cents for UPS inbound shipping, that's a total of 50 cents for your cost of goods sold. That will leave you with a net profit of \$5.04.



I use this strategy quite a bit. As a matter of fact, I documented the results from a book sale that I attended in March of 2013. From that sale, I purchased 259 books and made a profit of \$806.58. You can view the in-depth experiment on my blog.

### **Unadvertised Book Sales**

As mentioned earlier, book sales on BookSaleFinder.com are a great place to find inventory. However, there is only one problem with these sales. Every single bookseller knows about them; therefore, you will have quite a bit of competition. I would suggest finding a book sale that is not advertised on the above website. Unadvertised sales can be a gold mine because many times you will be the only person there with a scanner.

I went to an unadvertised book sale in South Carolina, in July of 2013. As I had hoped, I was the only person there with a scanner. I ended up buying 236 books, and my exact profit was \$1126.61. In July of 2014, I returned to that exact same sale. Again, I was the only one there with a scanner, and I purchased approximately 250 books. I'm projecting a similar (if not higher) profit at this sale.

These sales are not only profitable the first time around, but they can be a source of reoccurring revenue if you return to the same sale the following year.

Finding these unadvertised sales will require work, but there can be a large pay off. I personally just call every single library within a 200-mile radius of my home. I simply ask them if they have any book sales coming up. Then, I will write down the dates on a calendar. I will cross check these sales with the advertised sales on BookSaleFinder.com. If any of these sales are not on BookSaleFinder.com, then there is potential for a very profitable book sale.

Another option is the website, BookSalesFound.com. This is a membership site that lists book sales that are not advertised anywhere else. I am a subscriber to this service, and I have found it to be accurate. In fact, the South Carolina book sale that I mentioned above was listed on BookSalesFound.com.

### **Conclusion**

In conclusion, the FBA program gives sellers position and gives buyers what they want (fast and free shipping). This, in turn, let's you price higher and gain better returns. Plus, if you choose to do so, you can add lower priced books to your inventory. This is ideal, because finding them is easy (library bag sales) and you have the added luxury of not storing and shipping each book individually.

In fact, you don't even need to live in one place to do this. You can travel across the country, attend book sales from any state, and ship the books from wherever you are located. All you need is a laptop, portable printer, packaging supplies, and a UPS store.

What a country!

### **Frequently Asked Questions**

#### What if I want to remove an item from Amazon's warehouse?

It costs 15 cents to have each item destroyed, and 50 cents to have the item shipped back to you.

### How does FBA impact my feedback? What if Amazon makes a mistake?

I have found that my feedback improved after switching to FBA. Many customers rave about the professional packing and fast shipping. Amazon will also remove the negative feedback if it was their fault.

#### Can I keep some of the inventory at home?

Yes, you can keep some of the inventory at home and send some to the Fulfillment center.

### Do I have control over the pricing of the inventory? Writing descriptions?

Yes, you have 100% control of the pricing and writing the descriptions.

How long does it take Amazon to receive the shipments and process the items? About 2-3 days on average.

#### Has Amazon ever lost your books?

A few times, but I called Amazon and they immediately reimbursed me for the book.



### Can I sell FBA items on other websites like eBay or Half.com?

Yes, Amazon has a Basic Fulfillment Program where they will fulfill orders from other sales channels such as Alibris, AbeBooks, Half, eBay, etc.

#### What other countries can I use FBA in?

FBA is available in the United States, Canada, United Kingdom, Germany, France, Japan, and India.

## Do I need to put bubble wrap around each book or CD before I ship them to Amazon?

No, all you need to do is put a bar code sticker on the back of each item. Then pack them tightly into a box.

### The program sounds great, but I'm worried about those storage fees.

I personally don't worry about the storage fees. The extra money that I make with FBA more than makes up for the reasonable storage rates.

For more Tips and Tricks on FBA, please visit my blog at www.BooktotheFuture.com

Quickly list books into Amazon with ScanLister.com