



The viability of private labeling on Amazon.com in the 2020s

A study on the popular Amazon business model from a
Finnish e-tailer's point of view

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ABSTRACT

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The viability of private labeling on Amazon.com in the 2020s

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E-commerce (Electronic commerce) is taking over the world and changes the way people purchase and do transaction. The future of selling is online, and this future requires companies to adapt to these changes. Along with e-commerce came a new profession called e-tailer (online retailer), and many companies and entrepreneurs are adopting this position hoping to get a share of the new wealthy markets and opportunities found in the field of e-commerce.

When a company starts to sell online, they need to decide if they're going to use an existing marketplace to do their sales or set up their own web-shop, usually with the help of a shopping-cart platform. This thesis focuses on the business opportunities Amazon offers to e-tailers, and more precisely, on the case of the private labeling business model on the Amazon.com marketplace using the FBA (Fulfillment by Amazon) service as a Finnish e-tailer. The business model will be compared with other popular model of operation on Amazon.com, and to go further, it will also be compared to the alternatives of Amazon, specifically from a Finnish-based company's point-of-view.

Data-collection is conducted in forms of surveys posted on Reddit and Amazon Seller Central forums, and interviews conducted by the authors were each interviewed two senior Amazon sellers from the thesis commissioner's private network, making total of four interviewees. The data-collection was done in September and October 2021. The theoretical part of the thesis introduces the framework of Amazon as a platform for sellers and brings in theories to help understand the scope of the platform as a new seller entering a new market. The empirical part of the thesis deals with the commissioner company's own experiences and the data collected from interviews and the survey.

Selling Private Label products via FBA on the US marketplace as a new Finnish e-tailer company is not the most viable option according to the data-collection and the research done on the topic. Recommendations are made for new Finnish e-tailers looking for alternatives to the Private Labeling model and the Amazon.com marketplace.

Key words: e-commerce, e-tailer, fba, amazon, private labeling.

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ABBREVIATIONS AND TERMS

Amazon	Amazon Inc, the company
Amazon.com	The North American marketplace
Amazon Sellers	A retailer selling on an Amazon marketplace
Amazon Seller Central	The platform where Amazon Sellers operate from
B2B	Business to Business
E-commerce	Electronic commerce
E-tailer	Online Retailer
FBA	Fulfillment by Amazon
FBM	Fulfillment by Merchant
INV	International New Ventures
MOQ	Minimum Order Quantity
Private Labeling	Product manufactured by a third-party supplier, sold under a retailer's brand name
SMBs	Small and Medium-sized Businesses

1 INTRODUCTION

E-commerce came to change the whole scope of selling products and reaching new audiences that were unreachable to previous generations; it changed the way we consume products and services. Currently, almost any product is accessible to anyone in the world, and they can instantly see its features, compare it to the competition's listing and have it sent out to them as fast as possible. From 2010 to 2020, the global e-commerce market went from \$572 billion to \$4.28 trillion, a colossal 648% growth over the past decade (Greenspan, 2021). E-tailers (generic term for "online retailers") have increased with the popularity of e-commerce, and in opposition to the traditional methods of retail such as wholesale, a broad portion of them is progressively turning to the private labeling method. In this business strategy, the seller takes a patent-free product, labels it under their brand, and tries to beat its competition by focusing on marketing, brand image, and secondary features such as packaging or fast delivery. The reason for a company to choose private labeling is usually the low barrier of entry, lower starting costs, and ease of not needing to create an original product but instead finding niches where the demand is higher than the offering, and where the level of competition is low.

1.1 Research topic

Private labeling on Amazon.com became a very popular business model among entrepreneurs looking for an easy way to make a profit with low investments. Closely related to dropshipping, private labeling finds its difference in the supply chain, where the retailer will purchase and store the goods before the re-sale, while in dropshipping, the goods are only purchased to a supplier once the customer made an order to the retailer. One of the success factors of this model lies within Amazon itself thanks to its FBA (Fulfillment by Amazon) service that allows the sellers to leave the storage and shipment to Amazon's hands for a small extra fee. Because of this service, private labeling appears like a potential "passive income" where the sellers have nothing else to do but ship goods from their suppliers to an FBA center and wait for the sales to come.

On the platform, this model consists of finding a basic and popular product that they can purchase, usually from China, for a tenth of the selling price and hope to get sales by making a better listing than the original product listed on the platform, this way, the customers will feel more confident by purchasing from the listing with better photos and description. The private labeler is not selling a brand, he's selling a patent-free product under his own brand name. The difference is that in private labelling, in every niche, everybody is selling the same things and compete with their listing (descriptions, photos, video, etc.), their reviews, the money invested in Amazon's marketing program, the price, and eventually the customization of their product; but the latter option is rarely used in private labeling as it involves additional costs that eat most of the margin of private-labeled products. Private Labeling attracts hundreds of thousands of new sellers to the Amazon.com marketplace every year and generates billions of dollars both for the sellers and Amazon. Could this be the golden opportunity for any entrepreneur who wishes to enter the field of e-commerce?

1.2 Research Question

Company X, the commissioner of this thesis is a Finnish e-commerce company that chose private labeling as their starting strategy and to sell on the most popular platform in the world, Amazon.com. Amazon is quite popular for e-tailers doing private labeling as their FBA service (Fulfillment by Amazon) gives the opportunity the many companies to do e-commerce without having to handle logistics; With FBA, the e-tailer will generally ship their products directly from the factory, all the way to an FBA center where Amazon will handle the warehousing and shipping of the goods to the doorstep of the consumer. Company X operates via this model from Finland and ships its goods from China (country of production) to the USA (the marketplace) with nothing more than computers and internet access. The purpose of this thesis is to answer the following:

Is private labeling with Amazon FBA a viable business strategy for new Finnish e-tailers, like Company X, in the US marketplace?

This document will introduce Amazon as the world-leading e-commerce platform and list opportunities, threats, formalities, and processes of being an e-tailer on their platform, an “Amazon Seller”. The research will be focused on selling private labels on the Amazon.com marketplace (the USA) with FBA, where the supply is done through Alibaba in collaboration with a Chinese factory, and all this is operated from Finland. Some comparisons to the other possible options will be made, such as different marketplaces, different models, or even different fulfillment options. Finally, this thesis will evaluate the viability of this model from a Finnish perspective and will, in the case of a negative outcome, give advice and recommendations to the commissioner on potential paths that are more applicable for young e-commerce companies in Finland.

1.3 Research Approach

The content of this thesis will be based on articles and websites specialized in e-commerce, especially selling on Amazon.com. Theories will be applied to support the topic, out of them can be found the “Born Global” theory (Rasmussen & Madsen, 2002), The Long Tail (Anderson, 2006), and also the “Blue Ocean” theory (Chan & Mauborgne, 2004). These theories will be applied from academic books and peer-reviewed journals. This information will be used to support the theory that Amazon is one of the best choices to start online retail and that private labeling through them is accessible to the largest part of new e-tailers, regardless of their experience, education, or capital. Then, this theory will be tested by collecting data from e-tailers (preferably Amazon Sellers), including Company X, and review if the model is applicable from Finland. This data will be collected qualitatively via survey and interview on the Amazon Seller Central and Reddit forums, where e-tailers meet to exchange and collaborate. The interviews with senior Amazon Sellers will constitute the core data to test the theory and answer the problem. Their testimonies will remain anonymous to respect their explicit request.

2 THEORETICAL FRAMEWORK

2.1 E-commerce

E-commerce has been a disruption in the 21st century's world of business. E-commerce englobes any commercial activity done on an electronic network, most commonly the internet. These activities consist of selling services and goods, but also funds or data transactions. Thanks to the internet, e-commerce is an open door for any company or entrepreneur to do business on a global scale. This young market is evolving at a dashing pace, every day closer to become the norm of modern business. The International Telecommunication Union (ITU) estimated roughly 4 billion individual internet users worldwide, so 51% of the global population (ITU, 2020). In 2000, this number was estimated at 400 million, showing the dazzling evolution of Internet users over the 20 past years (Amin, Kansana, & Majid, 2016).

While it is for some companies, a simple and good opportunity to reach the customer where they are, it is also a chance for new businesses to innovate and adapt their model to the e-commerce system. Thanks to tools like distant communication, advanced logistic, and online marketplaces, online retailers have been able to create new ways to sell online, as well as skipping traditional steps of business development by going global from day one and thus reaching the entirety of the internet users from the start. This phenomenon is described as Born Global, a company that operates in many countries from the first months of its existence, usually aiming a global coverage (Rasmussen & Madsen, 2002), in opposition to the Uppsala model which rather targets gradual expansion into the foreign market after settling in its local market.

Companies that operate internationally can be called many things, as International New Ventures (INVs) or Born Global, and their general idea is to gain advantages in operating in several countries and markets. According to a paper published in the London Business Review further defines Born Global companies as "companies who have reached a share of foreign sales at least 25 percent within a time frame of two to three years after their establishment." (London

Business School Review, 2008). This makes the differentiation between INVs and Born Global companies.

The success factors of a born global company are the following: entrepreneur's international vision and experience, working experience, ability and cognition interacting with international networks, financial condition, and government policies (Vaivode, 2018). All the sources agree that the company must create international connections and networks to properly stabilize and operate their business internationally, especially in cases where the company has no physical interaction with their product or other company-related matters.

In the case of Amazon FBA-Sellers selling on the Amazon.com marketplace (North America) and operating from another continent, the Born Global phenomenon can be witnessed from the very start. But even for American based Amazon Sellers, the Born Global theory may be applied, as Amazon.com delivers all around the world, even in countries where they have their own Amazon facilities, as long as the product is handled by the FBA system, or if the merchant accepts orders from oversea. Therefore, it is safe to say that companies selling on the Amazon.com marketplace are indeed Born Global companies, thanks to the worldwide coverage of the American platform.

2.1.1 Amazon Inc.

Amazon.com is by far the most popular e-commerce platform in the world, growing bigger and bigger every year. In 2021, Amazon.com recorded 2.45 billion monthly visits in the USA, seconded by eBay with 885 million monthly visits (Statista, 2021). The popularity of Amazon can be explained by the high level of trust given by its customers. Thanks to Amazon's excellent logistics, people got used to receiving the right product they ordered, in time, at a competitive price. In fact, 89% of e-shoppers agree that they are more likely to purchase products on Amazon.com rather than other e-commerce platforms (Nadel, 2019).

Worldwide, the number of Amazon Prime subscribers reached 200 million in 2021, a dazzling evolution from the 150 million members in 2020, and the 100

million in 2019 (Statista, 2021). Being an Amazon Prime subscriber comes with lots of advantages, such as free two-day shipping, but also music and video streaming, and many others. In a survey conducted in 2019, Amazon Prime subscribers said to be more engaged than non-subscriber. In fact, the survey states that 20% of them shop on Amazon.com a few times per week while 7% of them shop daily (Statista, 2021). Amazon Prime Membership is a good strategy from Amazon, with it, they secure an impressive loyal customer base that constantly grows year after year. By first gaining the trust of the public with outstanding logistics and competitive prices, then by federating the customers with one of the best membership experiences, Amazon.com is now the place to go when looking to buy goods online.

Amazon.com is not only the most visited e-commerce on the globe but also the top-grossing platform in the industry. In 2020, the company reported an astronomical sales revenue of \$386 billion (with \$125.6 billion being made in the fourth quarter only), marking a 35.7 percent increase over 2019's results (Figure 1).

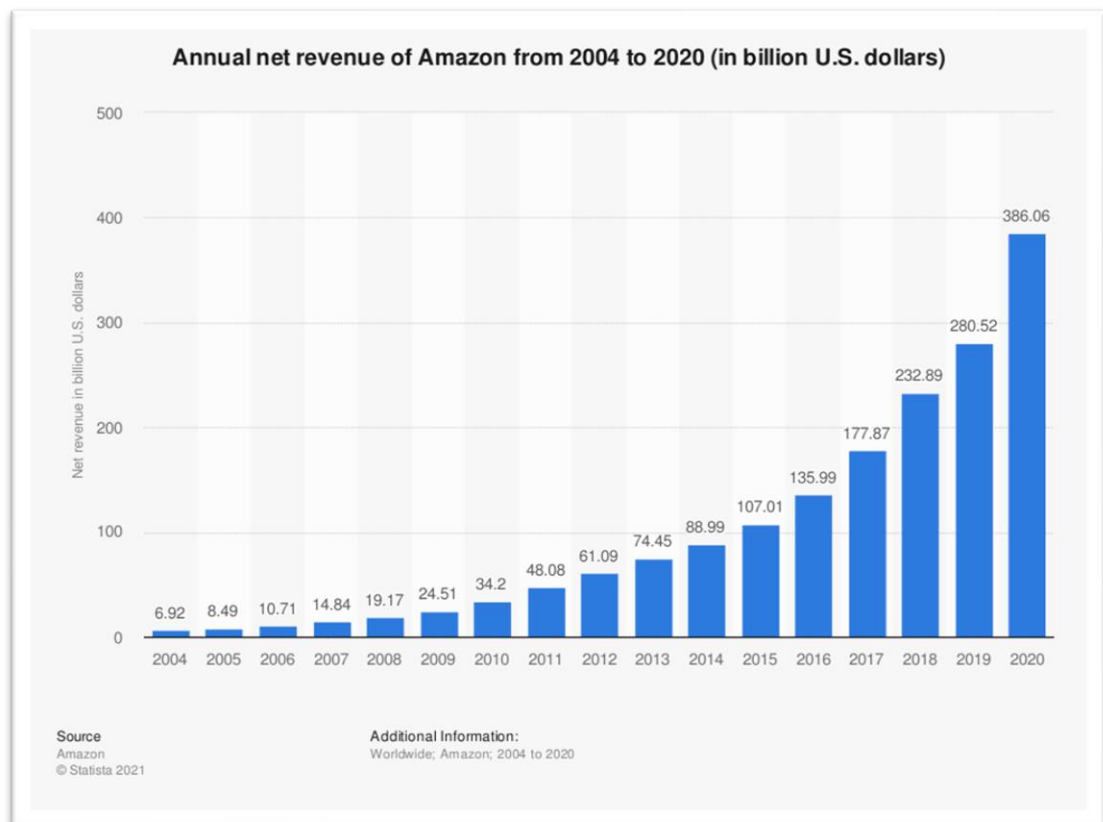


FIGURE 1: The evolution of Amazon's net revenue from 2004 to 2020 (Statista, 2021).

2.1.2 Amazon, the leader of e-commerce

Amazon's grand success is explained by its ability to do everything better than its competition. The platform has incredible supply chain management. By reducing the implications of third-party service suppliers such as UPS or FedEx and by investing in its own delivery system, the company has been able during 2020 to reduce its "click to door" time from 3.4 to 2.2 days, their industry average being 5.1 days (Kohan, 2020).

This competitive advantage creates, alongside many others, a high level of trust between Amazon and its customers. The consumers got used to large catalogues, filled with low prices, and getting their purchase straight to their door in a short time and in good condition; something that most of the competition cannot achieve. To illustrate the massive gap between Amazon and its competition, the sales revenue of Amazon in 2020 reached \$367.19 billion (Figure 2) (representing 40.4% of the e-commerce industry) far ahead of the 2nd top-grossing e-commerce platform Walmart with \$64.62 billion.

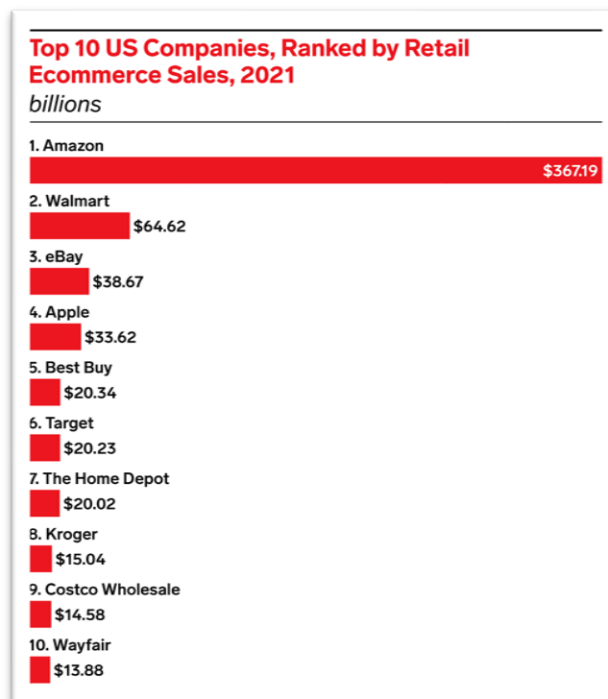


FIGURE 2: top 10 US companies ranked by sales revenue (Emarketer, 2021).

The disproportion between platforms can also be seen with the number of unique visitors per year. In 2019, Amazon was visited by 214.8 million unique shoppers (Figure 3), again, far head Walmart with 138.3 million visitors during the same period (Emarketer, 2021).

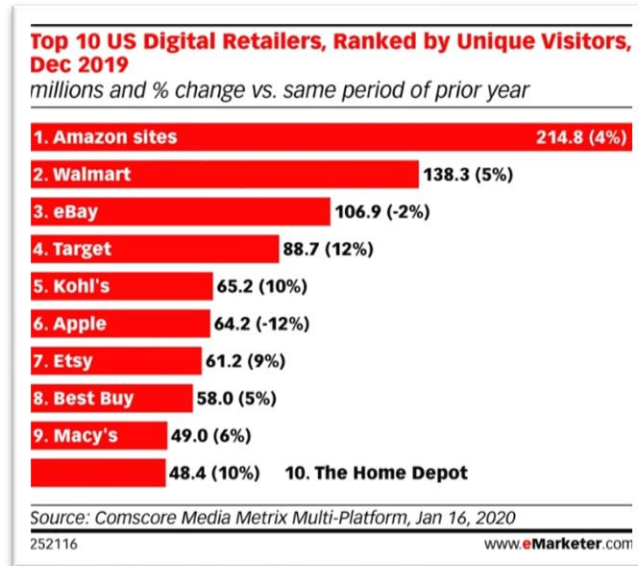


FIGURE 3: Ranking of the 10 American e-commerce platform with the most unique visitors in 2019 (Emarketer, 2020).

Amazon is not only crushing its competition by its revenue and visitors but also regarding its ability to draw sellers on their platform and retain them. During the 2020 Amazon Accelerate summit, the company announced their program to expand and upgrade its seller platform. With an investment of \$18 billion, the platform plans to add 100,000 new small businesses, a 20% increase out of the half-million currently selling there. Adding to this, Amazon plans to help its small- and medium-sized businesses to grow sales and reach more customers on their platform. Finally, Amazon also released 135 tools and services to help sellers to manage their Amazon businesses (Amazon, 2020).

This type of investment from Amazon is attracting new sellers to their platform, another reason that brings new small businesses to choose Amazon.com as their first platform rather than the other e-commerce on the market. Indeed, Amazon offers all kinds of support to help the sellers to succeed, coupled with their top-notch logistics, the platform is by far the most attractive for new sellers; on average, Amazon.com welcomes 3,700 new sellers every day (Cain, 2021).

As Amazon has grown over the years, its third-party sellers became a major actor of their e-commerce sales, representing approximately 60% of Amazon's sales. This proportion gives Amazon all the reasons to invest in its sellers and do its best to keep them selling on their platform. However, according to brands selling on Amazon, 85% of them say that customer acquisition is the main reason for their presence on Amazon.com, with 72% of them wanting to “*serve my customers where they are*”. This can be explained by the high-margin Amazon is taking on each of its third-party sellers' sales, removing the advantage of high profitability and leaving only the advantage of visibility and performant logistics for most of the sellers on the platform.

“For smaller retailers looking to scale platforms such as Amazon can provide exposure to a customer base, they would not be able to access on their own.” (McKinnon, 2020).

In 2020 Amazon's marketplace had over 2.5 million merchants selling their goods on the platform. Third-party sellers generated \$3.5 billion in sales during the two-day Amazon Prime Day event. These sellers, which are mostly small and medium-sized businesses, reached a record sale 60% up from the previous year. Out of these sellers, over 200,000 of them reached over \$100,000 sales on Amazon, with approximately 25,000 of them making over \$1M on the platform (McKinnon, 2020).

The number of Amazon Sellers is increasing. In fact, over a million new sellers join Amazon each year. As many as 283,000 sellers signed up to sell on the marketplace in the first quarter of 2021 alone. If this pattern continues, Amazon will have 1.4 million new sellers this year. So far, most of these new sellers (25.6 percent) have registered to sell on Amazon.com (USA), followed by Amazon.in (India), host to 10.2 percent of new Amazon Sellers. Every minute, over 4000 items are sold on amazon.com by SMBs (Small and Medium-sized Businesses) located in the USA, This portion represent more than half of the items sold on Amazon's platform. It is estimated that SMBs selling on Amazon have created over 1,6 million jobs worldwide (Amazon.com, 2019).

2.1.3 Amazon.com

Of all e-commerce platforms, Amazon.com is by far the biggest in the world. It has the biggest customer base, the biggest revenue, and the biggest range of third-party sellers. There are 2.5 million active sellers on Amazon.com while the entirety of the European platforms of Amazon counts only 1.16 million active sellers (Rawlins, 2020). A lot of new e-tailers decide to start with Amazon.com, regardless of where they come from, since the platform has not only the most customers but also the most Amazon Prime subscribers, which are known to be the biggest buyers on the platform, spending more than anyone else (see section 2.1.1).

Amazon started as a book company, but it has been on a mission for over a decade to become the “Earth’s most customer-centric company”. The company has made a proper commitment to this goal, and they ensure that every decision they make is made for serving the end-customer and adding value to them. This is generally the point of every retail company (Berg & Knights, 2019).

According to the book “Amazon” (referred above), Amazon sets themselves apart from the competition by constantly finding approaches and innovations that make the purchasing process and customer’s experience better, easier, and more consistent. Generally, when retailers consider innovations, it means pop-up stands and flyers but with Amazon, it’s “underwater warehouses and robotic postmen” (Berg & Knights, 2019).

Amazon has started their own form of private labeling products with their line of Amazon Basics in 2009. Amazon’s private label helps them to widen margins without increasing the cost of products and it’s a step towards “sustained profitability”. Amazon is in a position where they have collected tremendous amounts of customer data and can make decisions that which products are considered to become Amazon Basics. Their brand has expanded from small electronics, such as chargers, cables, etc. to dozens of categories and outselling Amazon FBA-sellers in those categories with their reduced prices and increased visibility compared to the sellers on the market (Berg & Knights, 2019).

Amazon has become the world's most popular product search engine and having the advantage of their own algorithm promoting their own private label products is a huge advantage to the company. Also having the option of automated home assistants, like Google Home, Alexa and Siri linked directly to purchase from their platform if a customer asks the assistant to make a purchase. This status has enabled Amazon to become a massive e-commerce enabler that encourages customers to purchase with their ability to intertwine shopping seamlessly with people's daily activities.

Future challenges for the platform are the various antitrust claims made against the company and people wanting to support other sellers besides the world's most popular selling platform. The overall forecast for the platform's success is very positive and if Amazon continues to operate in the manner of customer satisfaction and making purchases easier, there is no stopping them (Berg & Knights, 2019).

2.1.4 Fulfillment by Amazon

Fulfillment by Amazon (FBA) is a service launched in 2006 where the logistics, warehousing, shipping, and packaging are handled by Amazon. This service is an amazing asset for Amazon Sellers, no matter their size or seniority, as it gives them the peace of mind of performant and cost-efficient handling of the distribution of their goods to the consumers. Thanks to FBA, most sellers aren't required to have a space for their merchandise, they don't have to ship the products individually every time a customer sends an order, and they don't have to worry about the product arriving safe and fast to the customer's doorstep since Amazon handles this and has proven to be reliable for these matters. Amazon FBA is a must for every Amazon.com seller based outside of the American continent, but it is also very popular among the ones that are in the USA. Choosing FBA over FBM (Fulfillment by Merchant) rise the Amazon Fees from the mandatory 15% to more or less 50%, the percentage varying in the function of the size and weight of the product. 50% might sound quite high, but it is a justified price knowing everything that Amazon will handle for the e-tailer.

To sell via FBA, the seller needs to list their product on Amazon, get it approved and send the inventory to the given FBA center. Amazon will store the products until there is an order from a customer. A storage fee will be decided regarding the size and weight of the inventory, this fee is for a period of 3 months, to which the seller will have to pay again in the case where he will have unsold inventory past this period. Once the order is done, Amazon will handle the sales transaction and update the seller's inventory automatically in the Seller Central (the platform where sellers handle their products listed on Amazon), packs, and ships the product (Arishekar, 2020).

Amazon favors sellers that use the FBA model, and their listing will be more dominant in the searches and marketing. FBA sellers also get other benefits over other sellers, as discounted delivery fees on their products and a more dominant Buy Box advantage, making FBA sellers more likely to sell the same product than FBM sellers (Feedvisor, 2020).

2.2 E-tailers

An e-tailer is a company or an individual that sells goods to the public on the internet. (Vance, 2011). According to a journal of the Operational Research Society, e-tailers are involved in drop-shipping arrangements, they do not hold inventories of their own and they request the manufacturers to ship the products directly to the end-customer. (Chiang & Feng, 2010). In the traditional form of retailing, the goods are sent by the manufacturer to the seller, they store them in their inventory and sell the products to their end-customer. In this method, the seller is physically in contact with their inventory and has control over the shipments and its management.

In the world of drop-shipping e-tailers, the goods are never physically seen by the sellers, excluding some samples sent by the manufacturer. Amazon FBA can be considered as a form of drop-shipping, but a small differentiation is involved by the FBA seller purchasing their own inventory and selling them to customers afterward, instead of taking orders from customers and ordering products from the

manufacturer based on customer orders. Similarity with Amazon FBA and dropshipping is the logistics of the inventories. A drop-shipper must consider the delivery times of their products, which can be a few weeks and that can be the deciding factor between the customer's purchasing decision. In the Amazon FBA market, the products are in the fulfillment center and are usually shipped to the end-customer in the span of 2-6 days (Sellerplex, 2020).

2.2.1 Amazon Sellers

Starting a business on Amazon is accessible to anyone, it requires as simply as a computer, network access, and an Amazon Seller Account. Opening a seller account requires a chargeable bank card, but besides that, it does not require having a company or an entrepreneurial status. This accessibility allows anyone to start and try their Amazon Seller business without taking major administrative steps such as the creation of a limited company.

To sell on Amazon, no education is required. Nevertheless, there are factors and educations proved to increase the chances of success on the platform. Problem-solving techniques, research skills, self-reliance, and network abilities are valuable skills developed by higher education. Studying business develops skills in finance, economics, and accounting, which may be more relevant for an Amazon Seller than studying sciences or the arts. A high level of English is a must to communicate with overseas suppliers and operate on the platform.

Anyhow, sellers can agree on three key aspects of selling on Amazon regardless of how many degrees they have. First, sellers need to have the time to commit to growing a business. Then, possessing high drive and ambition and finally the motivation to make money.

Amazon.com is accessible for anyone who can read and has access to the internet. You can sell on Amazon without an education and with a little starting investment, yet it has been shown that sellers with educations, particularly in business, are more profitable than sellers without a degree. It is easy to find education on how to be a better and more successful Amazon Seller, which allows anyone to

be set to sell in a short amount of time. Anyhow, there is also lots of false information either to wrong the competition or to sell promising formations, it is important to keep an eye out for them and take the time to carefully learn the job before taking precipitate decisions.

To sum it up, at any level of education, you can succeed as an Amazon Seller. While having a high school diploma corresponds with increased sales and earnings, sellers with a high school diploma or less can still earn a lot of money with FBA (Burke, 2021).

Regarding responsibilities on Amazon.com, the seller is liable for its product on most of the supply chain. It is generally assumed among new sellers that Amazon will cover the goods in case they break or go missing after their reception to the FBA center. In reality, the sellers are still liable for their goods until they reach the consumer's door. Thus, Amazon requires its sellers to take liability insurance for their products. If a seller's sales exceed \$10,000 in a month, Amazon requires them to get coverage of one million USD (Connolly, 2021). Further, Amazon recommends getting insurance, even if sales don't exceed the threshold of \$10,000 monthly, to cover all bases if something goes wrong. Even if the seller doesn't sell for \$10,000 doesn't mean they're not liable if their product brings harm to their customer.

On Amazon, the seller must take a lot of responsibilities and has little control, unless they can afford it especially at the beginning of their selling journey. An article written on bigcommerce.com states that money is everything in Amazon FBA. If a seller cannot afford to wait for the potential delay of the supplier, or if Amazon decides to strike them with a restriction, they either go out of business or must apply for more funding (Labatt-Simon, 2020).

The same source states that Amazon handles the shipping, returns, and storing the goods of the FBA seller but returns, for example, will either be forwarded to the seller or get disposed of for a fee. Storage is also quite restricting since FBA sellers cannot use other storage locations than Amazon fulfillment centers. If the products won't sell, a seller will have to pay more for Amazon to store them longer. In this case, Labatt-Simon recommends arranging delivery back to the

seller's facility. In the USA this is a viable option, but for a company operating in Finland, shipping back hundreds of kilos of products is not a viable option. In this case, disposing of them is the only option and is costly because the prices are set by Amazon, therefore is recommended to only ship small inventory at once to aim for a sold-out inventory in the frame of 3 months.

2.3 Private Labeling

Private Labeling is a model quite popular among new sellers. The idea is to find growing niches on Amazon.com that have moderately high demand yet low competition. This business revolves mainly around simple products of small weight and size that can easily be supplied at a small price on platforms such as Alibaba.com (Mercer, 2020). With private labeling, the margin is potentially higher than the other selling methods (expected 20-25% at first, can range up to 50% with more popularity) and it has the advantage to be operational from anywhere since the seller only has to be the link between the supplier and Amazon.com. To beat the competition, the seller will label their product with their own brand and will bet on a better listing to attract customers. Private labeling also gives the opportunity to gradually develop the seller's own product(s) and the idea itself aims for a rapid expansion outside of Amazon.com.

For a seller to be successful, they need to define the margin for their product and if the cost of manufacturing, shipping, and Amazon's fees exceed a certain percentage, the profit is too low to continue trying to sell the product. The same rule applies to all selling and the rule of thumb in margins is that 5% is considered a low margin, 10% a medium margin, and 20% a good margin (Brex, 2020). In theory, private labeling has a very good margin, explained by the low cost of supply and the high demand for the product on Amazon.com. This high potential margin attracts a lot of sellers since the model itself requires very low investments and had limited risks, while the promised profit is higher than usual.

The model has a rule concerning how products costs should be divided into 4 parts, the acquisition cost, the transportation cost, the FBA fees, and the marketing fees. Most of the guides claim that the supply, transportation included, range

around 20 to 30% of the selling price (Zhang, 2018); in the case of private labeling, it is interesting to note that transportation fees are most likely to be higher than the purchasing of goods as the items need (usually) to be shipped from China all the way to the USA. On the other side, Amazon FBA can cost up to 50% (including marketing done by Amazon on its own platform) of the sale price to the seller, above that the product is not viable for FBA. This leaves an expected 20 to 30% profit margin, a margin that can increase with time as the seller diminishes its marketing budget and lowers supply cost by ordering in larger quantities. Even though Amazon gets the bigger cut out of the sale, it is a good tradeoff for a piece of mind, to let Amazon worry about the deliveries, storage, and returns of the goods (Hamrick, Junglescout, 2021).

2.3.1 From start to a profitable business

It is common for FBA sellers to complete some sort of online training or a course to understand the steps they need to take in the process of starting their Amazon FBA business. Figure 4 tells an example of investing \$397 in training and in a one-month delay, the seller will order the first inventory from its supplier.

Usually, the manufacturing, labeling, and shipping take one and a half months to happen. The first sale of a product commonly happens during the 2nd month. It is recommended to have an amount of inventory that is not too big, to test the product and avoid the high fees of unsold inventory. The profits are recommended to be invested into re-stocking a larger inventory. This is usually done in the 3rd month of starting out the business (Morris, 2017).

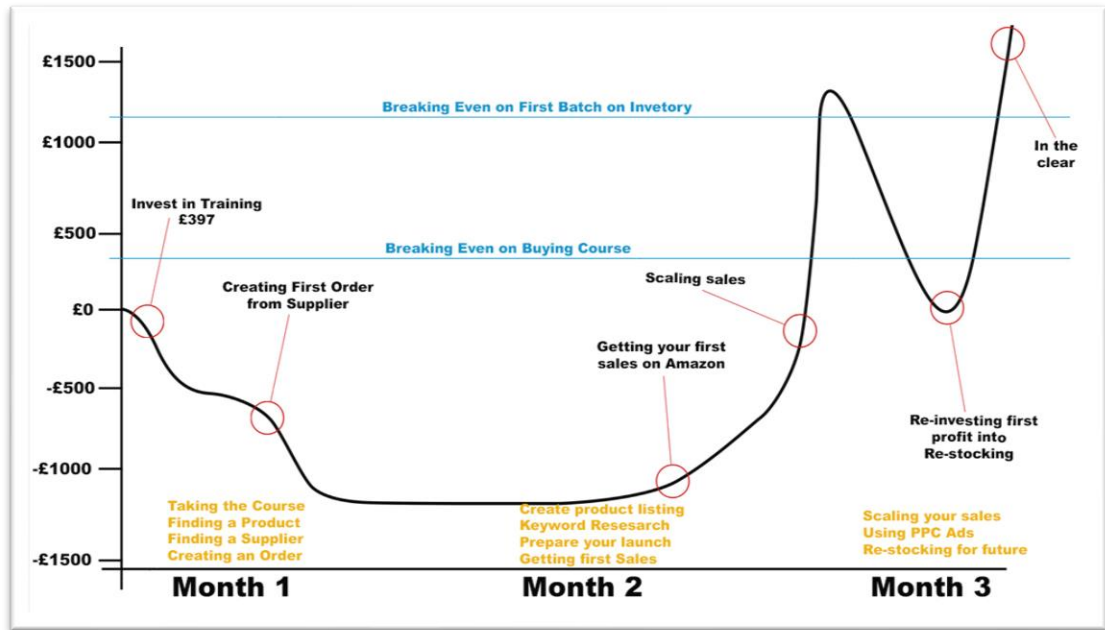


FIGURE 4: The timeline of setting up Amazon FBA business to turning profit (Morris, 2017).

2.3.2 Competition on the Amazon marketplace

Concerning competition, it is important like in every field to be aware of what they are doing and find ways to do it better. It is common to find guides and articles covering how to steal sales directly from the competitor. For example, a blog post published in egrow.io describes in detail tips and tricks for identifying the competition and seeing what they're doing better (egrow, 2020). These articles share questionable ways to act against the competition, but these methods seem to be common usage among FBA sellers and the competition can prove to be ruthless on the platform.

The competition will not stand idly by and let their sales be messed with and will fight back. It has been reported that some vendor account claim ownership on their competition to Amazon and set their listing under restricted categories so they would not appear anymore on normal searches (Nicolucci, 2018). This can be resolved if the sellers contest the said claim, but as the platform is extremely crowded, it will most probably take days if not weeks for the case to be solved and therefore will financially hurt the seller.

2.3.3 Identifying a good niche

The core concept of private labeling is to find the right niche to sell in. To do so, the seller may apply the Blue Ocean theory to their market research. The concept of the Blue Ocean strategy was introduced by Kim Chan and Renée Mauborgne, and it's based around a concept of entering new markets and creating a need, instead of answering it (Mebert & Lowe, 2017). In the theory of the Blue Ocean, there is also a red ocean, where the competition is severe, and the water is red from the wars of the competition. Instead of going to the heavily competitive market, companies try to find or create a market where there is demand but no or very little offering, it is called a blue ocean in this theory.

The Blue Ocean theory was first introduced in a series of articles in the Harvard Business Review by Kim Chan and Renée Mauborgne. The theory was introduced in the form of value innovation and the authors give an example of the entertainment company Cirque du Soleil and how the company was able to set themselves apart from the dying industry of traditional circus by creating a new market of combining theatre and high-level circus performances. The strategy includes creating value with strategic innovation and in the concept of Blue Ocean, the success is not benchmarked by the competition's success but instead the creativity and analysis of the company's own operations (Mebert & Lowe, 2017). The success of the seller on the market cannot be compared to the success of the competition, if there isn't any, or the level of competition is irrelevant and instead must match the KPI's (Key Performance Indicators) set by the company themselves (Chan & Mauborgne, 2004).

In the case of an FBA seller, the seller must identify niches in the market, where there is either no competition, or the level of competition is rather low. The Blue Ocean strategy applies to the market research and the seller must identify the blue oceans from the red ones to be able to make a profit on the market as a newcomer. An FBA seller must provide value through innovation and differentiate from competition in the niche if there is some. Differentiation can come in different ways, as in offering a similar product but adding some value with it. For example,

adding recipe booklet to a kitchen appliance they are selling and thus setting themselves apart from the competition through strategic innovation.

2.3.4 The Long Tail

The long tail business model is selling large ranges of niche products at a small volume. This strategy is generally used in crowded markets where the seller wants to find niches of hard-to-find products that they can sell by targeting a specific market (Anderson, 2006).

A journal published by the MIT goes over the phenomenon of the long tail in action and gives an example of Amazon using the long tail business model. According to this paper, a normal brick and mortar bookstore holds somewhere between 40,000 to 100,000 titles in their selection and Amazon has over 3 million. Someone might think that customers don't really care about the remaining 2,9 million unique titles but Amazon makes 30% to 40% of their book sales from titles that are not found in general bookstores (Brynjolfsson;Hu;& Smith, 2006).

The business model of the long tail is relevant for FBA-sellers since they need to find a niche from the saturated marketplace of Amazon and apply the strategy of selling a large range of niche products in small quantities. For an FBA-seller is not realistic to pick one of the most selling markets and start to sell their products against the best sellers in the world, who have built a customer base and have solidified their position as the top dogs of the market. A new FBA-seller needs to take advantage of the model of the long tail and finding various niches and selling multiple products in small quantities, thus creating a reliable source of revenue is currently the only viable model of entering the world of Amazon FBA.

2.3.5 The criteria of a viable Amazon FBA business

To define a viable business is setting it inside a framework of a basic business model, where internal and external environments are considered and strategies

to make the business operational, as a strategy for obtaining resources, competitiveness, managing profit, and the participation strategy of the company on the market (Ungerer; Pretorius; & Herholdt, 2011).

Obtaining resources must be done in a cost-effective manner and arranging deliveries to the Amazon warehouse in the US need to be done in the shortest amount of time. Another part of the framework is competitiveness, and FBA sellers need to identify the competition carefully before entering a market, since entering an existing and matured market is costly and very risky. The participation role of the new seller in the market is crucial to consider before entering it; the company needs to decide if they are targeting to become a market leader against an existing competition or trying to create a need in an unrealized market.

For any new FBA business, the general recommendation is to invest the profit made from the first inventories back in the operations of the company. For example, after the first inventory, investing the money in the next inventory or finding another product to add to the catalogue is rather important.

The point of any business is to create revenue and thus profit for the company to become self-sufficient and be able to do further investments and expansions. If a company can reach this status and provides enough profit for its employees and owners to be their only source of income, it can be defined as a successful business with a viable business model (Kuligowski, 2020).

Amazon FBA is also marketed as a potential form of being passive income and something to create an extra stream of revenue with minimal effort. 37% of Amazon Sellers have full-time jobs (40+ hours a week) while they are operating sales in Amazon (Hamrick, Junglescout, 2020).

2.4 Supply Chain Management

The supply chain of Amazon FBA private labeling generally is made of three parts which consist of purchasing in Asia, shipping overseas to the USA, and the storage and delivery of goods in America.

2.4.1 Supplying goods from Alibaba.com

Alibaba, the giant Chinese platform specialized in B2B wholesale had since its popularization a big impact on e-tailers. Alibaba has created a link between Chinese factories and global retailers; anybody can easily order a large number of goods at a bulk price from their computer to supply their stores, physical or digital. On paper, Alibaba presents its load of advantages, beyond its affordable prices and accessibility to the largest supplier catalogue in the world, it attracts retailers by offering a seamless experience that includes product customization, trade insurance, packaging control, and even DDP incoterms (Jules, 2019). That way, even without any experience, anybody can look for a product to resell, make an order and get it delivered at a bulk price without having to worry about the logistics and other formalities.

However, the platform also has its load of disadvantages. As a starter, sample prices can be over 10 times their bulk prices, and the product itself can be different from the display images, thus the need to ensure quality via samples. But samples might not always be enough, there have been cases of factories sending high-quality samples but low-quality inventories (FBA.Help, 2020) which can turn into a disaster for the retailer as most FBA sellers will ship their goods directly from the factory in China to the FBA center in the USA without ever seeing the products. To counter that potential problem, Alibaba also offers quality control directly at the factory, but sometimes the control can be done poorly, and the final product may not reach the retailer's expectation. Finally, the retailer has very low possibilities to visit the factories in case of problems, and because of that, many factories will take the time they want to fulfill their order and will not respect the deadlines agreed with the retailer if they decide to do so (Jules, 2019).

2.4.2 Shipments from Asia to the USA

When a company is thinking of arranging their inventory to be shipped from Alibaba's suppliers, usually in China, they might consider something called a

freight forwarder. For a new FBA-company, the number of documents and work needed to ship the product themselves can be intimidating and time-consuming. A freight forwarder is an agent company, also known as NVOCC (Non-Vessel Operating Common Carrier), that handles the shipping from the manufacturer to the warehouse of the requested location. An FBA-seller can request a freight forwarder also to inspect the goods and make sure everything is up to the standards agreed with the manufacturer (Brij, 2019). Using a freight forwarder saves a seller from a lot of work, but they need to consider the costs of shipping and possible inspection of the goods in their profit margin. Freight forwarders tend to hide some fees and proper negotiations of all fees are recommended to be done before agreeing to anything.

2.4.3 Amazon's supply chain

Amazon has currently 110 fulfillment centers in the US and all their FBA-sellers send their items to them. A seller creates a shipping plan to Amazon, and they are given the fulfillment centers' address for the products to be shipped to. Amazon tends to split some inventory to other fulfillment centers to optimize logistics and reduce shipping times across the country. (FBA Help, 2020)

Amazon handles the packaging of the products based on the sellers' preferences and stores them ready for delivery to avoid any extra shipping time. Preparations reduce the risk of products getting damaged in the shipping and other processes. When the product arrives at the fulfillment center, Amazon's employees inspect the products, to make sure they are up to the standards of the company, to be sold on their platform. Amazon will handle the logistics in shipments and returns from the customer between their fulfillment centers. (DFHFreight, 2020)

3 METHODOLOGY

3.1 Methodological approach

To support Company X's decision to enter the field of e-commerce with a private labeling approach on Amazon.com, accurate data collection is essential. This information is gathered online by conducting several interviews with e-tailers who chose a similar path to Company X and have a rather long experience in the field. These e-tailers are contacted on Reddit and Amazon Seller Central forums, where we can find the most experienced Amazon Sellers and get the best accuracy for relevant data collection. As a complementary implement, a survey is conducted on the same forums, this survey has for goal to get a larger range of information that might reveal factors and points that may have been ignored or missed before, and which have an impact on the viability of the business model.

To determine if private labeling on Amazon.com is viable for a Finnish-based company, the data collection revolves around problematics such as logistic management, competition advantages & disadvantages against the USA and other country-based e-tailers, the applications of international trade and business laws, and other formalities that may affect a Finnish business differently than an American business, and the geographical challenge of being equally far from the supply country as the target country. The research is also meant to ascertain the relevancy of private labeling on Amazon.com in 2021, and in the case where it would prove impracticable with these criteria, to give a few suggestions on what a better path could be to undertake in the future. Data collection is partially autoethnographic, as the thesis' authors are the founders of Company X, and the company's experience is included in the materials collected to conduct this research.

3.2 Data acquisition methods

Private Labeling on Amazon was surely a fruitful opportunity for e-tailers a few years ago and has brought millions of new sellers every years on the American

platform. While the method is still praised and recommended by Amazon's mentors and gurus, multiple elements seem to show otherwise. This is why, to demonstrate the hypothesis that private labeling via Amazon FBA isn't viable anymore in the 2020s, pertinent testimonies from experienced e-tailers will be collected through a series of qualitative interviews. In order to acquire the most valuable data, the survey and interviews are oriented toward the seller experience on Alibaba.com and Amazon.com, with a response volume of foreign sellers (non-US citizens) of at least 50% to ensure that the collected data is relevant to the research question. The interviews are conducted accordingly to M. Easwaramoorthy & Fataneh Zarinpoush's methodology on "Interviews for research", supported by the Canada Volunteerism Initiative (Easwaramoorthy & Zarinpoush, 2006). In addition to that, the data collection is oriented toward the relevancy of private labeling on Amazon FBA in 2021. Finally, questions about the current trends of operations on Amazon and the suggestions on how to do better on Amazon.com or outside of the platform are asked during the process with the intention to further answer the problematic around online retail in the early 2020s. The survey (Appendix 2.) is shared on Amazon Seller Central forums, Reddit Forums Specialized in Amazon FBA, and within the internal network of Company X; out of all the respondents, 72 were Amazon sellers and their answers will be used in the data analysis. Since the number of responses is relatively low, all of the 72 answers will be included in the analysed sample. Concerning the interviews (Appendix 1.), they are conducted with four active Amazon Sellers that includes three sellers doing private labeling via FBA, one doing wholesale via FBM. These interviewed sellers are meant to be anonymous in order to protect their business and respect their privacy.

The data is collected qualitatively, focusing on the real experience of Amazon Sellers, a method supposedly more suitable to solve in-field cases, where the use of personal interviews and observations are used to analyse the researched topic and answer the problematic (Lowhorn, 2007). While the survey gives a few quantitative information to support the hypothesis that private labeling on Amazon isn't a viable trend in 2021, the qualitative data will carry most of the analysis since the topic is very specific and large quantitative data might not be relevant as the main support of this paper. Some qualitative data will be gathered through Company X, directly related to their operation experience, and will be used to assist

the analysis parts related to the advantages and disadvantages of selling from outside of the American continent, more precisely Finland in this case.

The first focus of the collection is the reality behind purchasing supply from Alibaba.com and the logistics part of Amazon FBA. In a way, the goal is to verify if the supply chain process, from ordering on Alibaba.com until the reception of the inventory to the FBA center in the USA, is indeed an easy process accessible to anyone regardless of their localization, online retail experience, or education. The second focus is the viability of private labeling on Amazon FBA, and it is addressed by synthesizing an update of the recent status of the model on the American platform.

3.3 Analysis Methods

The analysis is done accordingly to the data collection's focus order. As a starter, a brief analysis of the formalities of being a Finnish Amazon Seller and how it differentiates from being an American Amazon Seller. This followed by an analysis of the common issues an e-tailer can face on the Alibaba.com platform, continued by the issues on the Amazon Seller Central of Amazon.com and how the supply on Alibaba may affect the operations on Amazon. Once these issues addressed, a reflection on the relevancy of starting Private Labeling on Amazon FBA in 2021. To conduct this analysis properly, the topics are addressed from the most common issues/testimonies from the interviewed Amazon Sellers and are tested from the difference between them, the experience of Company X, and the general answers from the survey.

The Basis of the analysis revolve around the process of starting Private Labeling on Amazon.com using the FBA service. The experience of Company X represent the core of the analysis development and will be reviewed by addressing notable points and issues to the four interviewed Amazon sellers. If the opinions are generally negatives, the business model will then be considered "not viable", as the hustle would be too great for the return generated. A series of suggestions will be

synthesized from the data collected to advise the new e-tailers on how to approach Private Labeling in the better way, or what to do otherwise if the latter was showed to be a poor model currently.

The analysis focus on the facts and real events that concern the Amazon Sellers and reflect on the causes and effects of these mentioned issues and situations. While the analysis will answer the thesis problematic and give the reader an opinion on the subject, a section will be dedicated to further suggestions for (Finnish) e-tailers in the discussion chapter. The best way to answer the thesis' main topic is to analyze and compare real-life situations that happened to Amazon Sellers and see if these realities apply to the theories stated by the coaches and other entrepreneurs who advertise the Private Labeling model on Amazon FBA. For them to be relevant, these real-life situations and testimonies need to be collected from sellers that have a strong experience with Amazon, including seniority on the platform, performant sales, and more than one successful listing, so the issues can be addressed as generalities because in the case where these sellers would not fit the description, nothing would suggest that these situations can be applied to anyone and not just the young sellers that fail to achieve a performant sale with their listings on Amazon.com.

4 RESEARCH RESULTS

4.1 Amazon Sellers from Finland

Trademarks are designed to protect companies' intellectual properties and prevent others to use their name or designs for their own business. While the core of private labeling is the retail of patent-free goods, trademarking your brand is a pillar of private labeling as the main selling point is the branded name that goes with the product. Not having your brand trademarked in the targeted marketplace can be dangerous for an e-tailer; any other seller could use this same name to sell their product, either benefiting from its popularity or degrading the image of the brand. Applying for a trademark in the USA as a Finnish company is not as simple, the United-States law requires all non-US residents to have an American attorney to make the application for them, and this formality can cost a lot of money and time while not giving the certitude that the trademark application will be accepted (Perrot, 2021). Two of the interviewed e-tailers also suggest that it might be better to start selling without a trademark, since there is a chance that the product will never reach high popularity anyway, and advise to fill for trademark only once the product show some success. While it might be a good idea, it is also taking the risk that another seller applies for the trademark and gain a claim on the brand's name, thus the listing.

When setting up an Amazon Seller Account, Amazon request the seller to issue official documents. These documents are the seller's ID (passport), bank statements, and a valid credit/debit card to prove the legitimacy of the seller. From a Finnish perspective and as Company X's experience, these documents need to be issued in one of the accepted languages (Chinese, English, French, German, Italian, Japanese, Portuguese, or Spanish) and thus will not accept Finnish written documents. The bank in which Company X's accounts are does not issue these documents in any other languages than Finnish and Swedish, and the only solution was to use the services of an official translator that implies more financial costs and time consumed. Without the correct documents submitted to and approved by Amazon, there is no way for the retailer to progress in its operations.

This won't be a major issue for a seller based in the USA as Amazon is more familiar with American documents and all of them are issued in English.

From trademark to laws, passing by documentation, operating from Finland give a starting disadvantage compared to a seller that would operate from the USA or an approved country like France or Japan. Even though it does not prevent a Finnish resident to try the Amazon FBA adventure, these downsides can affect the smooth running of the operations and will most probably delay the initial plans of the Finnish e-tailer.

4.2 Supplying from Alibaba

As much as there are many ways to source their supply from, the Amazon Sellers have in majority started their Amazon journey by supplying from Alibaba.com (68% of the respondent), a solution that is both accessible and performant. While the sellers agree that Alibaba is a good marketplace, easy to use, and with good customer support, they also agree that the Chinese suppliers on the platform are not always as cooperating and honest as the platform would want to. Here below can be found a list of very common issues the Amazon Sellers and Company X have experienced while purchasing on the Chinese platform. These issues are not systematic, but their frequencies make them worth to be addressed and reflected on; without proper awareness, a new e-tailer looking to purchase on Amazon will most probably have to face some of these problems, thus the importance of careful research and preparation before conducting any order on Alibaba.com.

4.2.1 Communication with the suppliers

Alibaba has the advantage of being easy to navigate and find the right supplier for your product. However, once the supplier is found, it is difficult to communicate with them. The first issue is the time zone, the difference between Helsinki and Beijing is +5 hours, meaning that most of the communication can only be done during the morning in Finland. Based on Company X's experience, most of the

suppliers would not answer after 12pm until the next day. On top of that, some of the suppliers can take be extremely long to answer, the main supplier of Company X was taking hours if not days to answer the messages, making the operation much longer than expected. This can be avoided by communicating with several suppliers and dealing with the one(s) that answers fast, but it can be difficult to find suppliers with effective communication when the product is not listed by many of them; in the case of Company X, only a few suppliers had the specific product, and even less were able to sell it at the correct price. This can be a big problem for the e-tailers as nothing can happen until the order is ready, and the reality is that a simple conversation that should take less than an hour can in practice take up to a week on Alibaba.

4.2.2 Misleading description on the platform's listings

Most of the listings on Alibaba.com are meant to attract retailers as much as possible. In Figure 5 we can see a listing for mushroom growing bags at the price of \$0.17/ piece with a 1000 MOQ (Minimum order quantities). This could be a good product for private labeling on Amazon FBA, yet the price here is only for a specific size of bags, and it will not be precided until the order is submitted. This, in most cases, will result in showing the price for a very cheap and minor object, different from the displayed picture, and once the order is done, the retailer will either deal with the wrong item for the right price or the right item for a much bigger price. Since the main topic is private labeling, it is important to notice the MOQ for customization. Private labeling requires that your product and packaging matches your brand; the packaging needs to the least a name, a logo, and a UPC code from the retailer company. Since the inventory will be shipped directly from the factory to the FBA center, the factory needs to arrange the customization and labeling of the product. In this case, the MOQ is 10000, on Amazon.com, the biggest packs of Mushroom bags are 50pcs, while the average range is between 10 and 20. This means that in order to get the product to fit the private labeling requirements, the e-tailers need to order an inventory of at least 200 packs (10000/50) but generally they would want to target 20pcs packs, making the first order 500 packs of 20 units. The issues here are that the retailer starts with a dilemma, either they purchase 200 packs of 50, taking the risk of not selling well

since they are less popular than the packs of 10 or 20, either they order 500 to 1000 packs of smaller quantities, and take a huge risk of paying the unsold inventory fee from Amazon. The general quantity on Amazon FBA to try a product is 100 to 200 units, this way the e-tailer should not face the extra unsold fees and should still sell enough to make a profit and determine what should be the next inventory size.

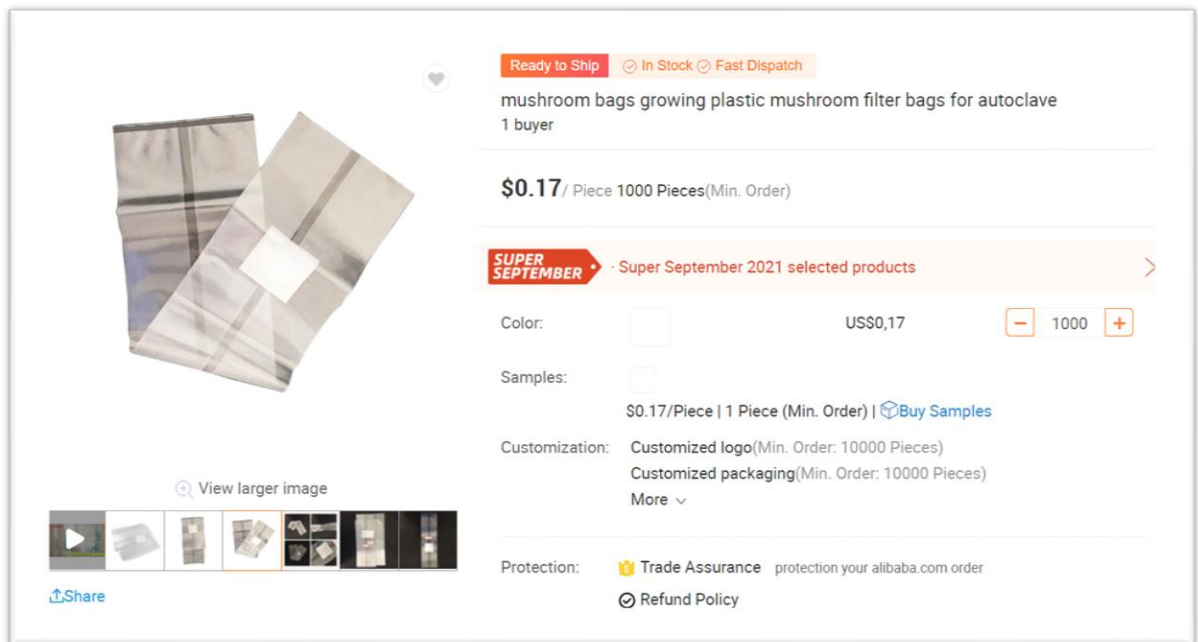


FIGURE 5: Example of a listing found on Alibaba.com. (Alibaba, 2021)

This could be avoided by storing the MOQ inventory in the e-tailer's own facility and only send the test quantity to the FBA center. This way, the e-tailer can also ensure the quality of the product before sending it to Amazon FBA and can in some cases, arrange the packaging and labeling himself. However, this process is not conceivable from Finland, supplying goods from China, ship them to Finland to again ship them to the USA is a too costly operation that badly damages the fragile margin of private labeling, if an e-tailer were to do so, they would most probably not be profitable, even if they would be extremely successful on Amazon.com.

4.2.3 The dilemma behind Minimum Order Quantities

Similar to the previous point, some suppliers have low MOQ to attract retailers, however, their prices match a much larger quantity. On one of Company X's experiences, the supplier listed a \$0,8 item with 1000 MOQ. Once the samples were purchase and approved, the supplier specified that the price of \$0,8/unit would only apply if the retailer purchased a whole shipping container of it for over \$40K, something that is inconceivable not only regarding the price but also the quantity for a private labeling business on Amazon FBA. If Company X were to purchase less, the supplier wanted a much higher price than the one that was initially agreed upon. The retailer can of course break the deal and find another supplier, but it is already damaging as they have ordered costly samples and the process was already many weeks in. When asked upon the matter, 3 of the 4 interviewed seller reported that this kind situation is quite common on Alibaba and that the supplier finds stratagems to pressure the retailers and force them to buy at larger quantities and in larger prices, which will ultimately reduce the margin and question the actual pertinence of the private labeling model on Amazon.com. The 4th interviewed seller does not share this opinion because he "never experienced this kind of situation", but is not surprised that it could happen to new retailers who tries to purchase small inventories on Alibaba.

4.2.4 Issues with listing deletion

Besides the real suppliers who manipulate the listing and prices to make more sales, there are also fake suppliers with Alibaba certificates such as the "gold supplier" label that certifies their authenticity. These fake suppliers will usually fulfill samples order (that they get from the actual factory) to establish trust with the retailer. Once the retailer is satisfied with the product and decides to make a larger purchase, the supplier will manage to get the full payment before starting production. To do so, the supplier typically says that they only take 100% payment before production for the quantity the retailer ordered and since the process was already initiated for weeks (it takes generally 3 weeks to receive the samples), it is difficult for the retailer to refuse and cancel the order. Once the order is paid, the supplier will find any reasons to delay the production going from the Chinese New Year to very busy agendas, always pushing the initial deadline. Eventually, the supplier will do this to many retailers, and when the retailers are

starting to complain about the work not being done, the supplier will simply disappear and delete his account from Alibaba.com. Because of this, retailers need to be extra careful when they start their purchasing process on Alibaba to avoid issues that could terminate their businesses.

4.2.5 Shipping plan

When operating from Finland, another difficulty arises from the private labeling process. While being a great opportunity for new e-tailers, Amazon FBA is also very strict and punishing in its process. When a retailer initiates the shipping process to the FBA center, Amazon requires them to precise the number of cartons, their size, their weight, and the content of each carton by product's model and quantity. Once this operation is done, the retailer needs to pack the cartons the same way and stick the right label to the right carton. This operation is not so difficult when handled by the retailer or a third-party worker who knows the FBA process, but it can become extremely difficult when the e-tailers must request the supplier to do it. In the case of Company X, one of their shipments was constituted of 27 cartons with variable products inside, meaning that the company had to inform Amazon of the exact content of each carton, and order the supplier to stick the right label to the right carton, all this without ever seeing them. This situation makes the process very hazardous as the supplier could put the wrong label on the wrong carton and there will be no way to tell until the merchandise reaches the Amazon FBA-center where the person in charge will most likely refuse the badly labeled packages and issue a fine to the retailer at the same time. 70% percent of the survey's respondents who supplies from Alibaba stated that they were at least one time worried about their order not being packed accordingly to the Amazon FBA's shipping requirement. In short, the e-tailer needs to trust every single person handling his merchandise along the supply chain and any little issue will badly damage the process as Amazon FBA will refuse and fine any shipment that doesn't exactly fit the precise shipment plan.

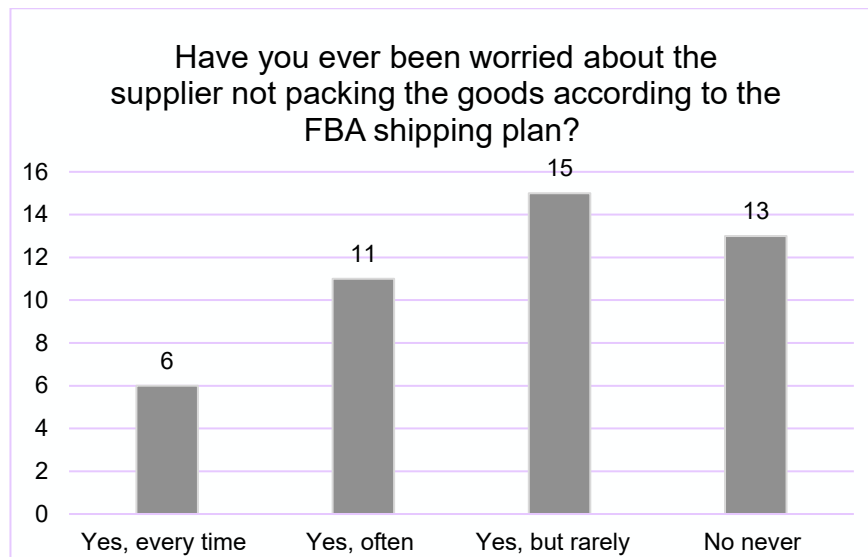


FIGURE 6: The repartition of the concerns of 45 surveyed sellers regarding the ability of their Alibaba's suppliers to pack the purchased goods correctly (Appendix 2.).

One of the recurrent recommendations is to take the services of a freight forwarder to handle the shipment from the supplier's warehouse to the FBA center. Recommended by 58% of the respondent who supplies from Alibaba, the freight forwarder service is advantageous because they generally issue DDP incoterms, they are generally cheaper than the supplier itself, and they usually have a lot of experience in Amazon FBA processes. The freight forwarder can, for an additional price, be asked to do quality control and ensure the right set-up of the cartons regarding the FBA shipping plan. However, based on Company X's experience and one interviewed Amazon Sellers, freight forwarders can take the merchandise into hostage in their warehouse after their reception from the supplier and issue a bigger shipment fee that can triple or even quadruple from the initial agreed transportation fee. This situation is not illegal as the freight forwarder simply neglects to display all the transportation fees and only gives a small part of it, which yet seems correct for inexperienced retailers. This issue can be once again avoided by being extra careful and asking every detail possible, but in practice, it is easy for new e-tailers to fall into the trap.



FIGURE 7: The 45 surveyed sellers recommend in majority the services of a freight forwarder to ship goods from China to the USA (Appendix 2.)

4.3 Difficulties on Amazon

To sell on Amazon, sellers operate through the Amazon Seller Central (ASC), a service where they can add products to their listing, manage them, do their marketing, and see their sale stats. In theory, the platform is designed to be accessible to anyone, and a service called “Amazon University” is supposed to teach smoothly how to perform properly as an Amazon Seller. However, even though Amazon FBA is advertised as an easy business where you just list your product and wait for the sales, the four interviewed Amazon Sellers agree on the point that using the Amazon Seller Central is much harder than they thought it would be, one of them reports that “selling on Amazon should be taken seriously and every new seller should at least take a few courses and go through the Amazon Seller University if they want to avoid most of the beginner mistakes, and they are usually deadly in this field, many people give up because of that”. This part lists the most common issues Amazon Seller had to face when operating on the ASC from adding a product to selling it on Amazon.com. These issues are recurrent possibly because selling on Amazon is generally represented as “really easy and accessible to anyone” and thus creates negligence in the required preparations and learnings.

4.3.1 Creating a listing on the Amazon Seller Central

Making a listing on Amazon can prove to be a difficult task. While the platform only requires a few information such as the photo, the description, and the specification of the product, many issues can emerge from this process. In the case of Company X, one of their products gave them hard time to list properly on the platform. This product, a bamboo trellis, was among many other specifications described as insect resistant. This triggered the automatic system and placed the product under pesticides, which are prohibited to be sold by non-US citizens on Amazon.com.

To resolve the issue, Company X had to remove the listing and restart the process making sure that the word “insect” wasn’t mentioned anywhere, not even in the photos. This simple detour can be damaging for the company as it usually takes a few days for Amazon to process new listings and resolve potential issues with them. While the second try did not mention anywhere the keyword “insect”, the UPC code of the product was however flagged as a pesticide in the Amazon database, making it impossible to list that product without the help of an Amazon technician. The whole listing, support communication, and problem-solving process took over a month, which is quite far from the “few days” that are generally mentioned to describe Amazon’s listing process. These issues were mostly due to the fact that non-US citizens are much more restricted than US citizens on Amazon.com and the communication with the Amazon staff is not openly accessible.

These kinds of issues are recurrent among Amazon sellers, one of the interviewees claimed that one of his products, a pair of gloves, was also flagged as a pesticide despite not having mentioned any trigger keywords. His issue took several months to process, and the Amazon support would only advise him to delete and retry to list the product until eventually, the system accepts it. This experience hurt him a lot as he couldn’t make any sales during this time and his inventory was waiting for transition in a costly warehouse.

4.3.2 Communication with Amazon

Communication on the Amazon Seller Central happens by a messaging service on the platform. In the messaging service, the seller can review their past messaging history and reply to other sellers' messages. Communication between the seller and Amazon is quite difficult since Amazon is automizing their systems as far as possible. In most cases, the person answering to the sellers will be an Amazon counselor that only give answers based on the Amazon Guideline or the Amazon Seller Central help section. While it is already quite time-consuming with 1 to many days between each answer, the responses will usually be no different from the advice given on the Amazon Seller Central Forum. In the case of Company X UPC's issue, the counselor would advise using a new UPC code for the product, rather than fixing the problem by removing the false claim in the database. It was not possible for Company X to change the UPC code as it already was printed on every label, and it took several weeks to get the Amazon support to understand and contact an actual competent person to fix the issue from their database. The consensus of the survey indicates that Amazon needs a better way of communicating with the sellers who are experiencing issues and take care of the people that make the lion's share of Amazon's revenue.

4.3.3 Unsold Inventories

When products do not sell within the 3 months period, the FBA sellers can either pay the storage fee again, ask Amazon to dispose of the goods or request the products to be sent to his location. The first option being the most expensive, it is important for FBA sellers to send volumes that should be sold within the 3 months period in order to maximize their margin.

Amazon doesn't want their sellers' products to collect dust in their warehouses and they have implemented two primary fees for inventory: Monthly Storage Fees and Long-Term Storage Fees. The latter is intended for inventory that has been in their warehouse for more than 180 days. For a seller, this is obviously another cost in form of a fee, but more so, in a form of money being tied to the inventory and not being able to draw profit from it.

An FBA seller can create a Removal Order for any unsold inventory and must choose between two options: return to the seller or have Amazon destroy the inventory that the removal order was created for. For sellers located in another country than their marketplace, as Company X is, the only viable option is for the inventory to be disposed of, since shipping the branded and labeled inventory back to the supplier in China is not an option and shipping the inventory to Finland would be too expensive, and the local market is too different from Amazon.com to implement the product there. For a seller that is located in the US and doing their sales on the US marketplace, shipping the products in the seller's local warehouse is a viable option and the seller can even arrange the pickup themselves, thus saving the inventory, the fees of Amazon and the money tied to the inventory. Sellers operating locally preferred Amazon to send the products to them or pick them up themselves. Sellers operating outside of the USA chose to have the inventory disposed of.

4.3.4 Product returns

In the platform of Amazon and generally in the world of e-commerce, the culture of returning products is rather popular and Amazon offers their customers an option to return any goods they purchased in the window of 45 days. Usually, the FBA seller refunds the customer, and the customer sends the product back to the fulfillment center with a shipping label provided by Amazon. If the customer doesn't send back the item, or Amazon declares the item to be in a condition, that it cannot be sold, Amazon guarantees to reimburse the seller for the selling price of the product.

According to the data collection, this isn't always the case. Two of the interviewed sellers described that after a return, Amazon didn't reimburse them even after receiving an email where they confirmed otherwise. In this case, the company needed to fill a returns report, describing the entire case, and hope that a real person from Amazon customer service would notice it. This can take weeks to resolve, and some sellers even prefer to give up and keep the return as a loss if Amazon does not cooperate easily. The data collection also revealed some cases

of dishonesty from the buyers, where they have claimed to have sent back the item, but it never reached the Amazon fulfillment center. In these cases, a dispute is created by the seller and then resolved by a team in Amazon customer service.

4.3.5 Customer experience

Amazon.com handles almost every aspect of the customer's experience, from the marketing to the shipping passing by the web design. The control of the customer relationship by the seller is very little, and the only competitive advantage they can work on is the price, the listing (which includes the product description and the photos), and the amount of money they allocate to Amazon marketing. Other than that, the seller cannot really reach the customers and use marketing methods to attract and appeal them to buy their product(s) over the competition. Three of the interviewed sellers reported that having that little control over the customer relationship gave them a feeling of frustration and it could be killing the motivation if the sales aren't good.

4.3.6 Competition war over prices

In the cutthroat marketplace of Amazon, the niche markets and their selling prices can go through extreme competition. In the case of Company X, the niche had only 2 sellers when the process of sourcing started and by the time the products were ready to ship and communication issues were resolved, the niche market of bamboo trellis had 6 sellers of the same product and a price war was going on, which resulted in reduced revenue and profit.

One interviewed seller explained that the product they chose to sell was initially selling for \$19,9 and by the time the product was in Amazon's warehouse, the selling price of the product had been dropped by the competition to \$17. This already made the sellers' profit significantly lower. The product in this case was purchased for \$9,9 and the initial idea for profit was \$6,5, selling for \$19,9 after the Amazon costs of \$3,5. Other sellers of the same product kept cutting the price constantly, to boost their sales and eventually the price war forced this seller to

reduce their price as well, and they decided that their final price would be \$14,9. In this case, the seller netted only \$1.5 dollars per sale and the plan went from making money to just breaking even with their product. The seller shipped 40 units of this product and ended up only making around \$50 of profit for their whole inventory.

The four interviewed sellers recommended doing proper research of the niche market and find out more about the profitability of the products. This seller was using the wholesale method for acquiring the products and recommends using private labeling for better prices of the products and acquiring bigger quantities.

4.3.7 Uncertainty of selling on Amazon

On the Amazon platform, the sellers must comply with all rules set by Amazon, this includes a right for them to either suspend or terminate any seller's accounts that are on their marketplace. According to the data collection and various sources, the biggest complaints come from sellers regarding how uncertain their seller account is on the platform. Amazon uses a team dedicated to identifying sellers, that are somehow ignoring or breaking rules and either suspending them or simply terminating them without notice. This learning-based software tries to find fraudulent or illegal activities but sometimes sellers with no history of this, get their accounts suspended without notice.

In the case of termination, Amazon claims the ownership of the products of the seller, and there is little that the banned account holder can do. Amazon is a part of a German antitrust settlement, which includes the fact, that the seller must be noted 30 days before a ban from the platform. This doesn't apply to sellers, who are involved in illegal or dishonest activities, those whose products have harmed customers, or some other way broke the rules of the platform. This policy was intended for protecting sellers on the platform, since before it was instated, Amazon could just remove the seller any time, without notice. This policy was well received by the FBA community but later turned out to be that Amazon only warned sellers, who are facing a permanent ban and sellers were still being suspended without notice.

Amazon portrays their sellers as vitally important in their business model and providing revenue, but these actions make the sellers rather uncertain of the longevity of their business. According to the survey, 89% of the sellers weren't aware that Amazon is not required to give a 30-notice before suspension and some of them have experienced Amazon's account suspensions without notice and felt wronged against it. Sellers from the interviews network have experienced suspension issues without notice by the Amazon's automated algorithm software, according to them the key problem in working with Amazon FBA or FBM is the uncertainty that comes with it.

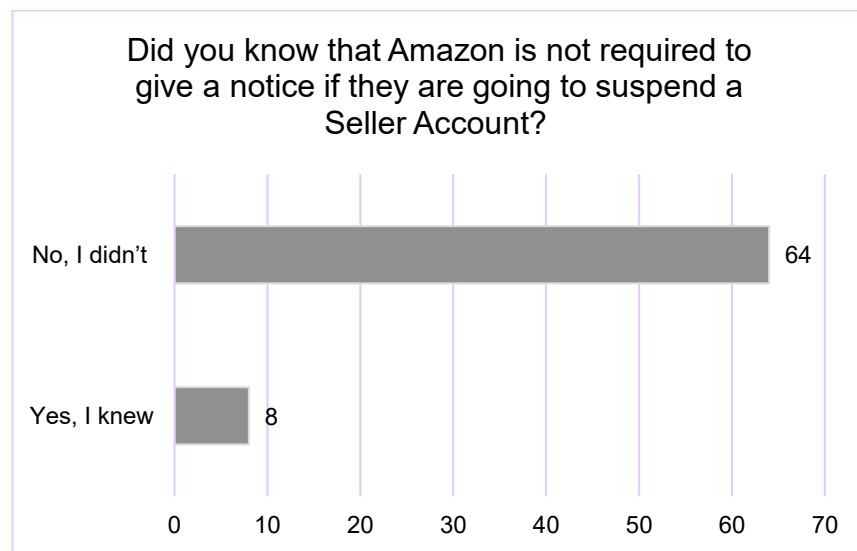


FIGURE 8: Awareness of the surveyed Amazon sellers concerning the right of Amazon to not notify them in advance when the platform decides to suspend their account (Appendix 2.)

4.4 Viability of Private Labeling

Private labeling on Amazon FBA is definitely not an easy business for a Finnish company, but is it even a good opportunity in advantageous countries like the USA? Private labeling is advertised as an easy business that doesn't require large investments and can be very profitable without having to work more than a few hours per week. While this idea sounds too good to be true, it is supported by the fact that Amazon has a very high demand and anyone who supplies in the right niches will get high sales. To test this idea, four experienced Amazon Sellers have been interviewed on the topic and their opinions, on top of Company X's

experience, will be used to determine the relevancy of private labeling on Amazon in 2021. These four interviewed Amazon Seller speak from their own experience but also from the experience of their peers, mentees, and general trends revolving around the world of Amazon Sellers.

4.4.1 Saturation of the model

According to all of the interviewed subjects, private labeling is too saturated and thus a bad choice for new sellers. While they agree that Amazon has good opportunities for everyone, private labeling is not one of them anymore. The problem with private labeling is within its own concept; finding a basic and cheap popular product on Alibaba, selling it on Amazon.com with a different name at 5 times the original price. Because of this, “everybody is selling the same junk product”, says one of the Amazon Sellers. After the model was highly advertised by mentors and gurus during the 2020’ pandemic, a lot of new sellers came on the platform exclusively in search of easy profit. As mentioned before, 3700 new sellers join the platform every day, private labeling is a model that doesn’t do good with large competition, since every niche’s seller finds their supplies from the same factory and the only differentiation between their products is the label on the package.

4.4.2 Decreasing profitability

Private labeling isn’t as profitable as it used to be, its saturation led the sellers to compete over prices, forcing them to badly damage their margins by reducing their prices. While a few years ago a seller could’ve expected a starting 25% margin with an evolution to 30-40% within the first year, it is today close to impossible. Some sellers even sell at a loss the few first months to attract customers and get positive reviews, once the referencing is good enough, the seller will gradually improve their margin, but it will most likely never be above 25%. “I was going to sell my product for \$18.99, making it a rough 30% margin, by the time the order was manufactured and reached the FBA center, the competition

changed, and I had to lower my price to 15,99\$, so about 15% margin.” Testified one of Amazon Sellers.

4.4.3 Competition between e-tailers

According to the four interviewed Amazon Sellers, the worst thing a new seller can expect on Amazon is the competition, some sellers are too far ahead and will easily beat any newcomers. Their seniority and experience give them a big advantage, but they usually also have large capital that allows them to work at very low margins to beat anyone who tries to enter their niche. On top of that, they have great branding skills, big networks with factories and their listings usually have the most reviews of the niche. This makes things extremely hard for new sellers to get a share of the market and even if they would find niches where these experienced sellers aren't in, it wouldn't take long until they identify them and use their strong skills to reap the competition.

4.4.4 Competition with Chinese factories

While the competition is already rough between e-tailers on Amazon.com, the Chinese factories decide more and more to directly sell their goods with Amazon FBA, skipping the usual e-tailer in the supply chain. Chinese suppliers have great advantages as they can sell at very low prices, and they have much better control over the productions and logistics. Because they get so much competitive advantages over private labeling, they are still doing business with Amazon e-tailers, knowing that they have no way of beating them competitively. Because of this reason and the previous ones, the four interviewed Amazon Sellers agree that private labeling is no longer an opportunity, and the e-tailers should take different approaches to enter the Amazon.com marketplace.

4.4.5 Competition with Amazon Basics

Operating on Amazon is very competitive, and besides competing with the other sellers, FBA sellers must acknowledge the potential competition with the platform itself. Amazon has their own line of products labeled as Amazon Basics, and these products are manufactured specifically to compete with sellers on the platform. Amazon Basics' products can be deadly for third-party sellers since it tends to sell for a reduced price because of the capability of Amazon to sustain a smaller profit margin than a third-party FBA-Seller. There have been cases of Amazon copying an original product without a trademark, making their own version of it with Amazon Basics and banning the original seller of the product, and claiming full ownership.

Third-party sellers are forbidden to resell Amazon Basics – products, even after buying them from the platform and listing them under their own account. Amazon stated to be the only seller of their products, thus creating an unfair advantage on the market. It is unusual for a platform to limit selling some brands and Amazon has given some companies, who have enough leverage against them, like Apple, for example, permission to limit their products to be sold by other sellers. (Edelman, 2019)

Amazon promotes their Basics line with their own algorithm, so it's more visible than any other listed product of the same niche. If a customer decides to buy from another seller than Amazon, they have a box above the "add to cart" spot of the item, where they offer "Similar item to consider" and having their own version of the same product, with smaller prices. This strategy demonstrates the full control and impact of Amazon on their own platform. (Greene, 2019)

4.4.6 Making a living with private Labeling

Making a living from Amazon is the goal of all sellers, but not all of them succeed in a way that it becomes their main source of income. According to Junglescout's data regarding FBA sellers, 46% of them make less than \$5000 of revenue monthly with a profit margin of 10-20% (Junglescout, 2021), giving them at most \$1000 and having still pay for their fixed costs and taxes. It can be assumed here that at least 46% of all the active sellers are not full-time workers on Amazon and

need to generate money from sources outside of Amazon, a large portion of them have full-time employment beside Amazon and consider Private Labeling as a side hustle.

Some Amazon businesses do make a decent amount selling on the platform and according to the source mentioned above, only 16% of Amazon Sellers make more than \$50,000 of revenue monthly and they are usually big corporations using Amazon as a secondary sales channel to support their organic sales on their various other platforms. For a new seller reaching these numbers is rather unrealistic, since these big players have lots of capital to ensure high inventories, maintain low margins, and relying on high volumes. A new seller shouldn't expect to be selling these amounts in the first years and without investing great amounts of time, effort, and money on their operations.

5 DISCUSSION

The purpose of the thesis is to find out if Amazon FBA is still viable in 2021 for a new e-tailer company operating from Finland. This part consists of reflections and suggestions on different aspects of being an e-tailer from Finland operating on the Amazon marketplace, based on the data collected through surveys, interviews, and other various channels. The discussion gives answers to the thesis' problematic and develops further options that Finnish e-tailers could consider when entering the market of e-commerce.

5.1 Sourcing manufacturers

Choosing the right supplier is a big part of the e-tailer's work. During this process, the e-tailer needs to consider a few parameters, such as the supply price, the quality of the product, the localization of the factory, and in some situations, its ethics. This part could be difficult for new retailers with will experience and network, but some services and platforms like Alibaba.com make this process easier by connecting suppliers with retailers. For a Finnish e-tailer, two main options stand out: either purchase on a B2B platform like Alibaba.com where the prices are the lowest on the market but the quality isn't always reaching the customer's expectations, or supplying from a closer factory that could be situated in Europe if not Finland where the quality will be great, possibly unique, but the cost will be much higher than the average, making it difficult to compete over prices with the other retailers on the Amazon platform.

5.1.1 Alibaba.com

Supplying from Alibaba is still considered to be the most viable option for sourcing and manufacturing products due to their low costs and high experience in dealing with FBA Sellers. When a company is looking for a new supplier, they must find out as much about the supplier as possible, through a network of other sellers to validate the reliability of the supplier. The seller can put the supplier's company in search engines and read reviews and check their website to ensure that said

company truly exists and supplies items that are being discussed and are a gold standard operator on Alibaba.

Logistics and product inspection are still the biggest issues a seller can face when supplying through Alibaba and it's recommended to use a freight forwarder whose legitimacy and reliability can be confirmed beforehand. Identifying a good freight forwarders can be a similar process as finding out the legitimacy of the supplier. When discussions with freight forwarder are taking place, the seller can arrange that the forwarder inspects the products and needs to provide specific standards that can be inspected by the freight forwarding company before the shipment to the Amazon's warehouse.

Even though e-tailers can do their best to avoid scams and other issues, they are never 100% safe against possible complications during the purchasing and shipping phase. The data collection also showed that the usual prices advertised by Alibaba were not taking into account many other fees that, when adding up to the initial cost, make the product less advantageous than expected regarding its cost and the potential margin a seller could hope for.

In short, supplying from Alibaba is a risky business for Amazon FBA sellers since the sloppy and complicated supply chain isn't safely compatible with the strict process of Amazon FBA. Alibaba is more relevant if the e-tailer has the possibility to receive the goods and handle the packaging himself, that way he's ensured of the quality of the product and on the proper following of the FBA guideline regarding inventory packaging.

5.1.2 From local suppliers

E-tailers might consider supplying from local manufacturers before going to websites like Alibaba.com. The advantage of local sourcing is the ability to physically visit the manufacturer and ensure that the products are up to the standards that were agreed between the parties.

The drawback of this method is usually the higher cost of inventories and shipping to other marketplaces. If a company is operating in another marketplace, as the commissioner company, sending large quantities to the warehouse of Amazon in the US is significantly more expensive, than sending them from a supplier in China, since more goods get delivered from China to the US, than Finland to the US. Using an external operator, as a freight forwarder is also more costly in European countries, compared to the biggest manufacturer in the world, China, due to the lower cost of labor.

If a seller can find a supplier from their proximity and negotiate the cost of goods low enough, it's recommended to use that approach, since an FBA seller gains more control of their overall operations and can ensure quality and delivery times themselves, instead of relying on a supplier that they've never met, to do everything according to shipping plans and other things agreed upon.

In the case where the company is not able to find any suppliers locally or in their proximity, they are recommended to use suppliers from the networks that they participate in. Peer-reviewed suppliers and freight forwarders are a safer choice than going through the massive website of Alibaba and trying to decide on their own without peer advice.

5.2 Selling on Amazon

The business plan of Amazon FBA is tempting for a company looking to sell products and utilizing the FBA logistics and warehousing services that have the reputation of being a hand-free experience where the seller has little to do and to worry about, on the paper. The reality of the situation is that due to the minimal control that the seller has on their operations, difficulties can arise. While the seller has to bend to every rule and restriction Amazon is imposing, the seller keeps the entire responsibility of the goods, making situations where the seller needs to pay for problems they have no control over. Amazon is, overall, a great opportunity for e-tailers to make a profit, but the ratio of control-to-responsibility makes is very uncertain and somewhat risky for the seller. Some sellers could think Amazon is a better platform because of the customer base and the FBA

service, while in reality, it might be better to just do their business traditionally and handle the distribution and sales themselves.

Operating from outside of the USA but still selling mainly on the Amazon.com marketplace puts a company at a disadvantage against a company operating in the same country that they are selling in. Thus, making the identification of a niche and correct market research is even more important for a company operating from elsewhere, since they cannot react to market changes with the same agility, as companies selling on their local marketplaces. This is why, optimally, a Finnish e-tailer should first consider selling on one of the European Amazon platforms before going for the American marketplace.

A new seller is recommended to find a mentor or at least participate in a network of other Amazon Sellers to help them tackle any issues along the way and guide them step-by-step from finding a niche market and a supplier to getting their first sale on Amazon and stay strong against the competition. A new seller must identify good mentors from the bad ones, since there are many scam-artists that modify their sales numbers with photoshop and claim to be experienced sellers on Amazon while their only goal is to sell as much expensive course packages as possible to new sellers looking for help/mentorship.

Selling on Amazon can be rather uncertain for a company and the data-collection has revealed this to be one of the main sources of stress for Amazon sellers. A company selling on Amazon needs to know that Amazon can decide to suspend their account for a minor issue or even for a mistake, without notice. Amazon is a good marketplace to make a profit, but every e-tailer should rapidly aim to diversify their channels outside of Amazon to reduce their dependency to Amazon.com and the risk of being shut down at any time.

5.2.1 Alternative models to private labeling

While selling private labels on Amazon.com in 2021 might be a bad idea for new e-tailers with no, or very little experience, there are few alternative options that the seller should consider when starting their business on the platform. Private

labeling is usually described as the easiest model, low effort, low investment, and big revenue. And to accentuate this idea, the advocates of private labeling don't hesitate to make the other models look as they were much harder to access. The truth is that private labeling isn't easier than any other model, and only finds its strength in unsaturated niches where the competition is very weak. One of the interviewed sellers (referred to as "Seller M" in this paper), a very experienced Amazon Seller who tried every single business model on Amazon and made millions of dollars of revenue by himself, talks about the alternatives to private labeling.

The first model, commonly referenced as "retail arbitrage", consists of visiting your local discount store and search for items that are in deep discount, and compare them to their equivalent on Amazon.com. If the price and the demand on Amazon make it profitable, the retailer just needs to purchase the goods and ship them to an FBA-Center, where the items will be later sold on Amazon.com for a higher price. According to Seller M, this method is good for any starting e-tailer. Even if this method is not optimal and might not bring crazy profit to the seller, it's an excellent model to learn the job and gain experience as an Amazon seller. However, the seller must beware of the Amazon policies on reselling and not list items that have restrictions, like the Amazon Basic items or famous brands like Nike or Adidas.

The second model, "Wholesale", is contacting suppliers and buying their products at a bulk price and selling them on Amazon.com for a higher price. The difference with private labeling is that the seller will sell someone else's brand and will count on its popularity to make sales. The problem with this model is that, like private labeling, the market is highly saturated, and it is unrealistic for new e-tailers to enter popular niches and get a share of it. The Amazon Seller could try to sell either local brands that aren't yet implemented on Amazon or could target niches where the competition is low, but it's taking the risk that the public doesn't approve the product and just flops. Seller M says that wholesale might have been a good method a few years ago, but nowadays the competition is too high, and the sellers work on very low margins, making it quite unviable for new sellers to start with this model.

The last method Seller M talks about is “making your own original product”. After trying every possible way to approach Amazon.com as a seller, Seller M decided to invest in their own original product, specifically made to be sold on Amazon at first, then on other platforms and shops afterward. Seller M invested over \$100K in the creation of his product, which includes samples, branding, legal certifications, and inventories. A \$100K might sound like a lot of money, but by making an original product, Seller M created a niche on his own and has now very low competition compared to the time he was doing Wholesale or Private Labeling. With this investment, Seller M is now Making \$120K-\$150\$ of profit every year on Amazon.com alone. This option might not be the most accessible for new retailers, but Seller M advice to make good use of the crowdfunding platforms and their community to fund their product or to find one or many investors to make this possible. Creating your own original product is not the easiest method as it requires much more time, effort, and money than any other model, but it is for sure the most rewarding and ambitious one, testifies Seller M.

5.2.2 Selling in Europe

Amazon.com is demonstrated to be the biggest e-commerce platform on the globe, generating the most profit for e-tailers. However, the data proved that Amazon.com was less accessible when operating from outside the European continent, the reasons being mainly related to logistics. Considering selling on one of the European platforms might be a better idea for a Finnish e-tailer. While there are eight different Amazon platforms in Europe and it might sound harder to handle than selling on Amazon.com only, European e-tailers could simply focus on 1-2 of the most popular European platforms like Amazon.de (Germany), Amazon.uk (United Kingdom) or Amazon.fr (France). The advantage of selling in Europe is the improvement of the supply chain since the e-tailer has the possibility to inspect and pack the goods himself, fixing the issue regarding the possibility that the supplier packs the inventory wrong, and Amazon FBA refuses them and fines the seller. With this situation, the seller also has the choice to fulfill the order by themselves, a solution that could be better than FBA, as the cost could be cheaper and the seller will have the possibility to fulfill orders from every European Amazon platform without needing inventories in every fulfillment center and

can also fulfill orders from outside Amazon, such as a different platform, web-shop or physical stores.

The other advantage of selling in Europe is that the market is less saturated than in the USA, while the Europeans don't consume as much as the Americans, the competition on the European market is not as tough as on Amazon.com. Selling in Europe as a Finnish e-tailer also better the possibilities regarding marketing, as the seller can promote their product within their own network and through channels external to Amazon. This way, it is easier for the seller to build a brand that can evolve outside of Amazon and thus direct the company to a secure path that is not dependent of the giant American platform.

5.3 Being an E-tailer from Finland

A new company operating in the field of e-tailing in Finland can consider other marketplaces than the US, as the whole Europe or just some of the European countries. They can also think between fulfillment methods and other channels besides Amazon.com to sell their products on or even consider diversifying their sales on channels outside of one platform.

5.3.1 Other platforms, diversifying the channels

For a new e-tailer company operating from Finland, diversifying channels is recommended. While most of the e-tailers will focus on 1 to 2 channels at the beginning, it is important to keep a sight on the other channels and aim to enlarge the different marketplaces where the e-tailer operates to. the other channels, such as Shopify and eBay, are good and considerable options to support the sales from Amazon FBA. One above all is a company's own website, where the sellers don't have to pay any external fees to the platform and dictate every aspect of the sales process and handle the customer relations themselves, however, this option might be too costly for a new e-tailer, in marketing and maintenance fees. Considering other channels than Amazon FBA requires the e-tailer to arrange their own fulfillment operation. Therefore, if an e-tailer sells their good outside

Amazon and fulfill the orders themselves, they should consider fulfilling their Amazon order as well and not use the FBA service.

5.3.2 Fulfillment By Merchant

FBM is not recommended for a new e-tailer company operating from Finland on the Amazon.com marketplace because the shipping times for singular orders would simply be too long to compete with other sellers on the platform. Also, the costs of shipments would be too high to maintain and would eat up most, if not all the sales' profit. For a Finnish company that is operating on a closer scale such as the Nordic Countries, or the European continent, FBM is, if not the best, a viable choice. If a company is operating in a range of 2-5 postal days for their products to reach the customer, they might want to consider Amazon FBM. In this model, the seller still needs to comply with all Amazon rules, but they decide on their inventory and other logistic-related aspects themselves and aren't reliant on Amazon for everything. This model requires the seller to be more involved in the process, and the pitch of Amazon being a hands-off experience doesn't apply in this scenario.

If an Amazon Seller fulfills their orders themselves, it is recommended for them to have other channels to sell besides Amazon to reach more customers, be stronger competitively and aim for a more independent status where ultimately the customers will search specifically for the brand, rather than just the product. According to Seller M, Amazon is still worth it, whether it's on the American or the European platform, and e-tailers can realistically make it their full-time occupation as long as they stay away from the "easy routes" and keep focused on their ambitions. FBM is a better option for any company that is operating and selling outside of the USA and even though FBA has its loads of advantages, FBM should be the end-goal as it relieves the e-tailers from the eventuality of Amazon suspending or terminating their Amazon seller account, and thus terminating their all business at the same time. An account suspension may still happen while doing FBM on Amazon, but the e-tailer should have other channels to rely on in the eventuality where they could not sell on Amazon anymore.

6 CONCLUSION

Private Labeling is past its golden era but is still recommended by a lot of online mentors and “gurus” as the best approach for new Amazon sellers, generally described as a hands-off experience that simply requires to find a niche and a supplier and leave Amazon to do all hard work while cashing the profit. Private Labeling was more profitable in 2010s when the markets were less saturated and competitive. The sellers that started before the “gold rush” have solidified their positions as leaders of the market and following their guides to enter the business is not relevant anymore, since the setup they have been into when they started is not the same as the one the new Amazon Sellers must deal with nowadays. Currently, the situation has created markets, where the sellers of each Amazon niches are all selling the same products, generally from the same supplier, and the one that can maintain the thinnest margin will beat its competition and take over the niche.

So is private labeling with Amazon FBA a viable business strategy for new Finnish e-tailers, like Company X, in the US marketplace?

A new Finnish company looking to make a profit through private labeling on Amazon.com in the US marketplace is very possible, but the data collection and the experience of Company X suggest that it is not the best setup for a Finnish company and that they should consider all the other options before rushing to the false idea of Amazon FBA’s Private Labeling being the golden goose of online retail. Based on the testimonies of the four interviewed Amazon Sellers, the retail arbitrage or the wholesale method would be a better option to start out rather than private labeling, since these models give more control to the sellers over the supply chain and with its low investment requirements, gives the opportunity to the new sellers to gain valuable experience before starting ventures into more risky and difficult businesses.

Selling on Amazon.com from Finland is still an opportunity to make a profit on but operating a business in another country’s marketplace is definitely more challenging than selling locally and less advantageous competitively against the other

businesses located in the marketplace's area. A suggestion for new e-tailers targeting Amazon is to start selling on their local platforms, meaning that a company in Finland should start their Amazon business in one of the European marketplaces (Like UK, Germany, or France) and only look to expand to Amazon.com once they gained enough experience and solidified their product on their local platform(s). If a small company can operate in a range of few postal days of the end-customer, considering Amazon FBM over FBA is recommended. FBM tends to leave a higher margin to the seller and the increased control of overall operations is a major advantage to the seller. FBM also has the advantage to centralizing the distribution center and allows the seller to list their product in many different Amazon marketplaces without requiring inventory in each FBA Center, and gives the possibility to sell that same product outside of Amazon, a better scenario for ambitious e-tailers that aims to launch their brand to bigger scales than the uncertain and fragile business of niche market on Amazon.

6.1 Critical review

The purpose of this thesis was to give an insight into whether private labeling on Amazon.com via FBA from Finland was a good opportunity in the 2020s or not. While the main focus was the geographical constraint since it demonstrated that operating from Finland is a disadvantage from the e-tailers operating directly to the USA, it was important to also show that the private labeling was not a good opportunity anymore for the new e-tailers starting as Amazon sellers, because the market is too saturated and dominated by the big and old sellers who gives no chances to new competition.

To prove that the issues came from the model and not from Company X's mistakes, it was mandatory to call experienced e-tailers who can review and comment on Company X's issues during the operation process. Four Amazon Sellers were contacted to participate in the data collection of this thesis and gave their intake on the status of private labeling on Amazon.com in 2021 and the other possibilities to sell on Amazon, all agreed on the fact that new Amazon Sellers should not start with private labeling on Amazon.com unless they have special conditions that will help them stand out from the mass.

While this thesis could have more quantified information and a deeper, more precisely conducted experience, this thesis uses genuine data that applies to the real market and give an answer to the problem with logic and concrete data easily observable in the field. Doing more thoroughly research should not give a different answer to the what, and should only give a deeper result to the why, as “what is the reason for this phenomenon”; but this wasn’t the purpose of this thesis to define why, only to evaluate the relevancy of the business model and to suggest better options for new e-tailers to get a smooth start in their business ventures.

It could be criticized that this paper is lacking academic sources and researches. However, the topic being very specific and modern, it is difficult to find academic sources that are not too broad and that cover the researched topic in a precise enough manner. This is why data from the Amazon Seller Central and other websites specialized in e-commerce (preferably focusing on the Amazon marketplace) is possibly the best source of support references to go along the experience of Company X and the testimonies of the interviewed Amazon Sellers.

This thesis does not claim to deliver a universal fact, it might still be possible for some new e-tailers from Finland to become very successful on Amazon.com thanks to private Labeling, and it could also be possible that this model is the best choice they could make as a starting strategy, but referring to the facts and data collected in this thesis, it would be unrealistic to assume that Private Labeling is a good idea for new e-tailers from Finland. This model relies only on the popularity of certain items that are patent-free and generally very easy to manufacture, as long as the demand is higher than the offer, new e-tailers have a chance to make a profit without requiring any sales or marketing skills, but once the offer becomes higher than the demand, it is almost impossible for the young sellers to compete against the old and strong sellers, or even AmazonBasics. Nowadays, the platform is way too saturated with millions of active sellers, reducing the chances for new e-tailers to make a successful business with private labeling to almost 0. This is why it is recommended for Finnish e-tailers to either focus on a closer market like one of Amazon’s European platforms or a Finnish marketplace, or to find a different business model to sell in the USA, while making sure to gather all the elements to increase their chances of success, such as finding a mentor, learning a lot and not underestimating the toughness of the e-commerce market.

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APPENDICES

Appendix 1. Interview plan

1. Do you think it's safe to sell private label products on Amazon, without filing for a trademark? What do you recommend doing?
2. Have you experienced any issues regarding the listed price with suppliers from Alibaba?
3. Have you ever experienced any kinds of acts of dishonesty from the suppliers on Alibaba?
4. Have you had any issues with shipping the goods from the supplier to Amazon's warehouse?
5. Have you ever used a freight forwarder? If yes, what kind of noticeable experiences have you had when using their services?
6. Do you agree with the general idea that Amazon's Seller Central is easy to use and simple to understand?
7. Have you ever faced issues that have prevented or delayed the listing creation of your products?
8. Have you had any issues regarding the reimbursement of product returns?
9. How do you feel about Amazon controlling most of the customer experience?
10. Have you experienced competition over pricing? Can you give an example?
11. Are you concerned that Amazon could terminate your account at any time? Or are you confident that the situation is unlikely to happen?
12. Have you ever been suspended from Amazon?
13. What do you think of private labeling in 2021 – Do you think private labeling is still as profitable as it used to be?
14. Do you think a new Amazon Private label seller can compete with the already established strong sellers on the platform?
15. Have you ever seen one of your products been outshined by its Amazon Basics equivalent?
16. Do you think it's realistic to start and try to make a living in private labeling on Amazon FBA in 2021?

Appendix 2. Survey questions template

1. Do you, or did you, sell on Amazon?

Answers:	Number of respondents:
<input type="radio"/> Yes, I do	59
<input type="radio"/> Yes, I did	13
<input type="radio"/> No (ends the survey)	4

2. How many different products are you selling right now?

Answers:	Number of respondents:
<input type="radio"/> 1	14
<input type="radio"/> 2 to 4	28
<input type="radio"/> 5 to 10	17
<input type="radio"/> Over 10	13

3. How many years have you been selling on the platform?

Answers:	Number of respondents:
<input type="radio"/> Less than a year	26
<input type="radio"/> 1 to 2 years	22
<input type="radio"/> 3 to 4 years	17
<input type="radio"/> Over 5 years	7

4. What marketplace are you selling on? (Multiple choices)

Answers:	Number of respondents:
<input type="radio"/> Amazon.com – USA, Mexico, Canada	61
<input type="radio"/> Europe	25
<input type="radio"/> Other	14

5. Where is your company operating from?

Answers:	Number of respondents:
<input type="radio"/> The USA	28
<input type="radio"/> Other North American country	9
<input type="radio"/> Europe	22
<input type="radio"/> Asia	5
<input type="radio"/> Other	8

6. Did you start selling on Amazon with the help of a mentor or a seller's network? (Multiple choices)

Answers:	Number of respondents:
<input type="radio"/> I had/have a mentor	38
<input type="radio"/> I was/am in a seller's network	43
<input type="radio"/> I didn't have any professional help	20
<input type="radio"/> Other, specify	7

In the specified section, 5 answered that they got hired in a company that have a portion of their sales from Amazon, but it is not their main channel. 2 answered that they started from a course in their university.

7. Would you recommend new sellers to ask the help of a mentor or a seller's network? (Multiple choices)

Answers:	Number of respondents:
<input type="radio"/> I recommend having a mentor	32
<input type="radio"/> I don't recommend having a mentor	13
<input type="radio"/> I recommend joining a network of sellers	39
<input type="radio"/> I don't recommend networks of sellers	6
<input type="radio"/> Other, specify	14

In the specified section, the two most dominant answer were "I do not have an opinion" (8 respondents), and "It depend on the seller's background" (4 respondents).

8. Is Amazon the only marketplace you're selling on?

Answers:	Number of respondents:
<input type="radio"/> Yes	24
<input type="radio"/> No	48

9. Are you a full-time Amazon Seller?

Answers:	Number of respondents:
<input type="radio"/> Yes, Amazon is my main activity	41
<input type="radio"/> No, Amazon is a side-hustle	31

10. Do you use the Amazon FBA- service?

Answers:	Number of respondents:
<input type="radio"/> Yes, exclusively	34
<input type="radio"/> Yes, mostly	13
<input type="radio"/> Yes, but rarely	3
<input type="radio"/> No	22

11. Do you purchase you supply from Alibaba.com?

Answers:	Number of respondents:
<input type="radio"/> Yes, Exclusively	23
<input type="radio"/> Yes, mostly	16
<input type="radio"/> Yes, but rarely	6
<input type="radio"/> No (jump to question 14)	27

12. Have you ever been worried about the supplier not packing the goods according to the FBA shipping plan?

Answers:	Number of respondents:
<input type="radio"/> Yes, every time	6
<input type="radio"/> Yes, often	11
<input type="radio"/> Yes, but rarely	15
<input type="radio"/> No never	13

13. Would you recommend using a freight forwarder to ship goods purchased from Alibaba?

Answers:	Number of respondents:
<input type="radio"/> Yes, it's a must	15
<input type="radio"/> Yes, but not necessarily	11
<input type="radio"/> No, I don't recommend	5
<input type="radio"/> I don't have an opinion	14

14. Have you experienced any issues with communicating with Amazon?

Answers:	Number of respondents:
<input type="radio"/> Yes, often	48
<input type="radio"/> Yes, but not often	19
<input type="radio"/> No	5

15. If your products have been in the Amazon's warehouse for longer than 3 months, what action did you take? (Multiple choice possible)

Answers:	Number of respondents:
<input type="radio"/> Paid the extra storage fee	15
<input type="radio"/> Had the inventory sent to your facility	17
<input type="radio"/> Had the inventory disposed of by Amazon	34
<input type="radio"/> Did not answer	14

16. Did you know that Amazon is not required to give a notice if they are going to suspend a Seller Account?

Answers:	Number of respondents:
<input type="radio"/> Yes, I knew	8
<input type="radio"/> No, I didn't	64

17. If you've experienced a suspension of your account, were you informed beforehand?

Answers:	Number of respondents:
<input type="radio"/> Yes, I was informed	4
<input type="radio"/> No, I wasn't informed	7
<input type="radio"/> I never experienced a suspension	61