

What is the Best Way to Sell on Amazon AU? First Party (1P) v Third Party (3P)

amazon ads

Advanced
partner

Sell
Global

Quick Definitions

Selling as a First Party Vendor to Amazon Retail

You enter into negotiations with Amazon to sell to them at agreed wholesale rates and other specific base terms, Co-ops and rebates.

Amazon send you Purchase Orders, you fulfill those orders and send to Amazon's warehouses.

Selling as a Third Party Seller on Amazon Marketplace

This is more like selling on consignment. You list products and you can choose to use Amazon FBA, or fulfill yourself.

When a sale is made, Amazon credits your account minus fees including commission and FBA fees.

1P Vendor Relationship Pro's and Con's

Pro's

- Suits lower priced high volume consumables. Less than \$15.
- Suits bulkier consumables (think drinks and toilet paper)
- You receive a PO and you send invoices, so you know what to expect to get paid.
- Can be more hands off, but that is often a mistake.
- If your systems are very retailer focused v D2C.
- You can rank faster based on Amazon lower pricing.
- Subscribe & Save

Con's

- No control over price
- Buy Box Issues - Amazon price matching
- Tough contracts with multiple fees and small windows for disputing
- Inventory that doesn't sell can be returned
- Amazon can cherry pick ASIN's
- 60 day terms at best
- No feedback loop with customer - Amazon will just refund
- Annual lengthy negotiations for price increases.
- Regular PO Fulfillment in small quantities to multiple warehouses is common for mid or small vendors.
- Brand content can be harder to change.

3P Marketplace Relationship Pro's and Con's

Pro's

- You control the price
- Promotions when you choose.
- You control inventory inbound - timing and volume (with some restrictions)
- Customer feedback - respond to questions and feedback, issues refunds, send replacement.
- Brand and Content Optimisation easier
- Clear fees
- Better cash flow cycle - paid fortnightly less Amazon fees
- You have the option to ship goods yourself - good if heavy or bulky.

Con's

- A bit more hands on the day to day.
- No Subscribe & Save for consumable type products in AU, but this is expected to change very soon.
- Buybox issues with price matching, not allowing for shipping.
- Can be a slower build to ranking and volumes
- Not suitable for lower priced products - really need to be min \$15 and ideally \$25+ given Amazon FBA fees to be part of Prime.

FAQ's

Can we do a Hybrid approach?

It's difficult and getting harder to do. The main issue is you can't sell a product that has been listed via 1P on 3P. This could work for ASIN's not being ordered by 1P. You would need a new ASIN. The inside word is, world wide they are cracking down on this.

How do I switch from one selling method to another?

If you are making a switch, you need the support of the opposite team. If you are with 1P and you want to switch, you need help from Amazon 3P team, who will internally have the conversation with 1P.

Any transition will involve a tricky period of no/low sales and a few niggles, but in the medium and long term if it's the right move, it should happen.