



# PE Firm Client: Amazon Brand & Reseller Findings



# Agenda

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**Executive summary**

**Project context & status**

**Participant overview**

**Customer acquisition**

**KPCs & satisfaction**

**Stickiness**

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## Executive summary

### **Conducted 17 in-depth phone interviews with Amazon Resellers and Customers of Resellers**

- 5 Amazon Resellers who have exclusive Amazon selling relationships with brands
- 12 Amazon decision makers at Customers who are supported by Amazon Resellers

### **Customer acquisition is a quick and opportunistic process**

- Sales cycle typically 2-3 months once interest is established, with no formal RFP process
- Very common for Customers to shift from in-house to Reseller to leverage expertise and take on the complexity of managing the Amazon marketplace

### **Most important features of Reseller services are rated poorly versus other features**

- MAP compliance (4.8/5.0 avg. on “importance” scale), brand protection (4.7/5.0), policing of unauthorized 3<sup>rd</sup> parties (4.4/5.0) rated as most important elements
- Each of these areas is rated below a 4.0/5.0 avg. on “satisfaction” scale
- Moderate strengths (areas with highest “importance” and “satisfaction” ratings) are buy box control, listing optimization, and MAP compliance; however, all of these have opportunities for improvement

### **Despite moderate satisfaction, retention rates high as Customers tend to switch only if major issues arise**

- Annual retention rates in the 75-90% range; 75% of Customers have not had discussions with other vendors within last year – a trigger of poor Reseller performance necessary to seek a change
- Brand protection, buy box control, & policing of 3<sup>rd</sup> parties difficult for Customers to manage in-house
- Resellers may drive Customer attrition if they violate MAP or if Amazon sales drop markedly



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## Project background

CLIENT is evaluating TARGET, an Amazon reseller/agency that markets and sells branded products on behalf of brands on the Amazon platform, for potential investment / acquisition.

TARGET is in a competitive space with a wide range of players leveraging their Amazon expertise and experience to serve as the exclusive Amazon seller for partner brands / products.

CLIENT sought to better understand the perspectives of both competitors and customers on a variety of topics.

The topics include, but are not limited to, agency pricing / business model, key responsibilities / capabilities, policing of non-approved 3rd party sellers, IP protection, payment terms and requirements, key purchasing criteria, points of differentiation, and switching / in-house likelihood and key factors (e.g., sales level, control over buy box, MAP and brand protection, dedicated Amazon internal resources, etc.).

## Project status

### Key Activities & Deliverables

- Design interview questionnaire with input from Client
- Conduct ~30-minute phone interviews with 15 individuals:
  - 5 Amazon resellers who have exclusive Amazon selling relationships with brands
  - 10 Amazon decision makers at companies who are supported by Amazon resellers
- Provide anonymized verbatim responses (in Excel)
- Analyze results of interviews, highlighting the key takeaways and supporting analyses & share summary of key findings (in PowerPoint PDF)

### Status

- ✓ **Complete:** Completed
- ✓ **Complete:** 17 interviews completed
- ✓ **Complete:** 5 interviews completed
- ✓ **Complete:** 12 interviews completed
- ✓ **Complete:** Shared; in separate file
- ✓ **Complete:** Shared; this document



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# Participants interviewed (excludes confidential Customers)

## Customers



## Resellers (incl. Customers' Resellers)







## Background of participants: roles and product categories

### Customers

- **Roles of Customer participants interviewed**
  - Smaller companies – CEO, CMO, Owner
  - Larger companies – VP of Digital & eCommerce, National Mgr. of eCommerce, Dir. of Performance Marketing, Marketing Product Mgr., Brand & Marketing Dir., Operations Mgr.
- **Product categories of Customers interviewed**
  - Consumer products
  - Supplements
  - Home fitness
  - Power tools; portable hand tools
  - Fashion accessories
  - Gun accessories
  - Toys & pencils
  - Apparel & footwear
  - Bedding

### Resellers

- **Roles of Resellers participants interviewed**
  - CEO
  - Owner
  - eCommerce Mgr.
  - Dir. of Business Development
  - VP of Marketing
- **Product categories of Resellers interviewed**
  - Arts & crafts, toys
  - Vitamins, minerals, & supplements
  - Pet supplements, household goods, household electronics, cosmetics
  - Home & kitchen
  - Grocery products, snacks



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# Customer acquisition quick & informal with many shifting from in-house; seeking expertise & complexity management

## Short sales cycle with senior execs serving as primary decision makers

- Sales cycle typically between 2-3 months once initial Customer interest established
- Generally no formal RFP process; Customers selecting Resellers opportunistically based on needs
- Main decision makers within Customer companies includes one or more members of C-suite for smaller companies, senior executives in marketing and digital / eComm. in larger companies

## Reseller Customers commonly had shifted from in-house to Reseller

- Prior to working with their current reseller, 50% of Customers interviewed were managing their Amazon sales entirely in-house using Seller Central
- Resellers corroborate this statistic, with 60% of them reporting their Customers were previously managing Amazon by themselves prior to working with them

## Customers seek a Reseller to leverage their deep Amazon expertise

- “We wanted to get up and running... and didn’t have in-house knowledge on how to do that.” – VP of Digital and eCommerce, Customer
- “I realized that [a 3<sup>rd</sup> party reseller] could do a much better job than us.” – CEO, Customer
- “If a brand was selling directly, they’re looking for speed, software, tech, and expertise.” – Director of Business Development, Reseller

## Customers do not want to manage complex & cumbersome world of Amazon

- “Bandwidth... You need a team to manage Amazon. It’s an ecosystem in of itself like Google. The Team optimizes search listings and paid ads.” – Director of Performance Marketing, Customer
- “Our sales weren’t what we wanted them to be. Some of our products were getting kickoff of Amazon and we didn’t always know why.” – Co-Owner, Customer
- “Amazon seemed to change their buyer in our category every 4-6 months, and we felt like we needed someone to really own the relationship for us.” – Marketing Product Manager, Customer



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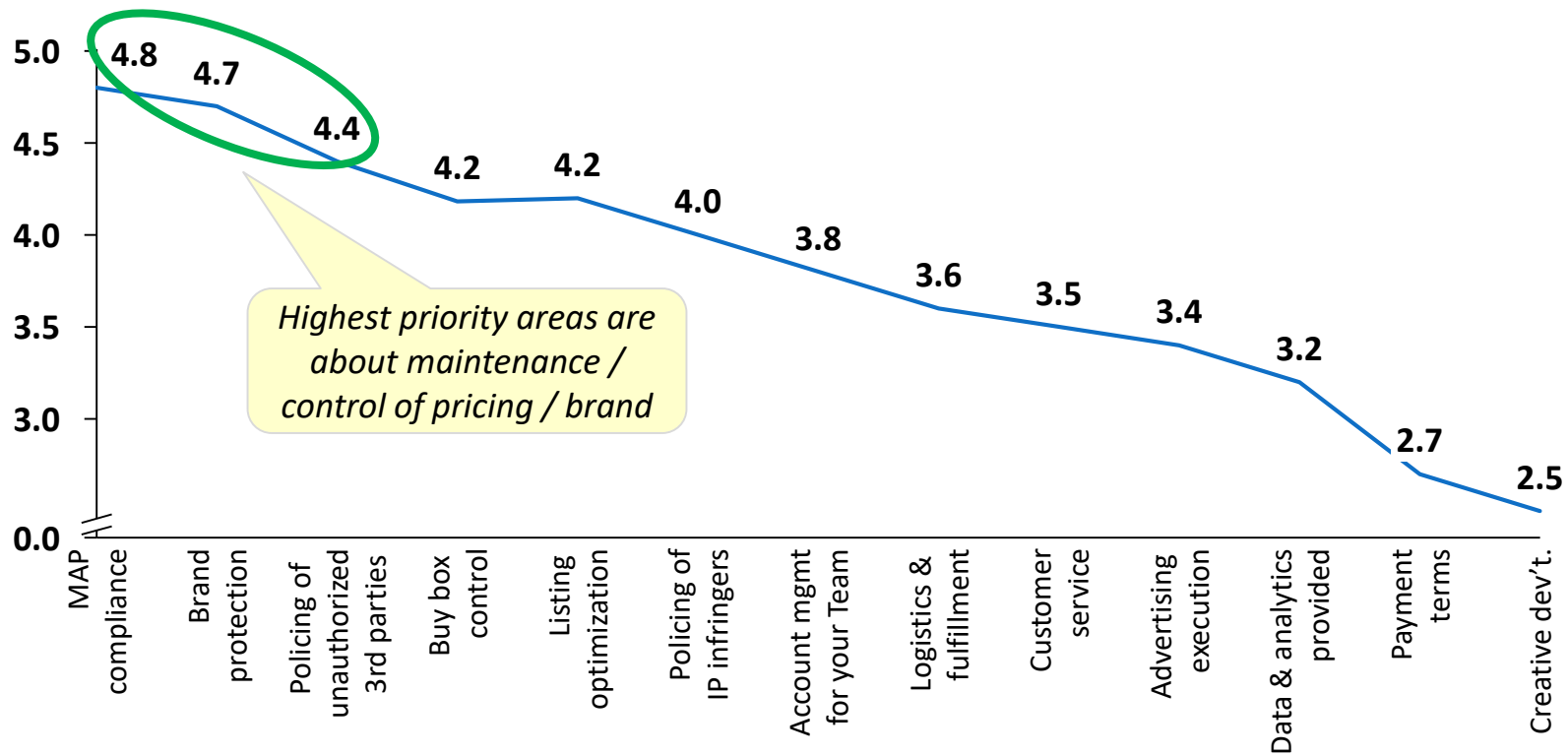
**KPCs & satisfaction**

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# Customers report brand protection, MAP compliance, and policing unauthorized 3<sup>rd</sup> parties most important attributes

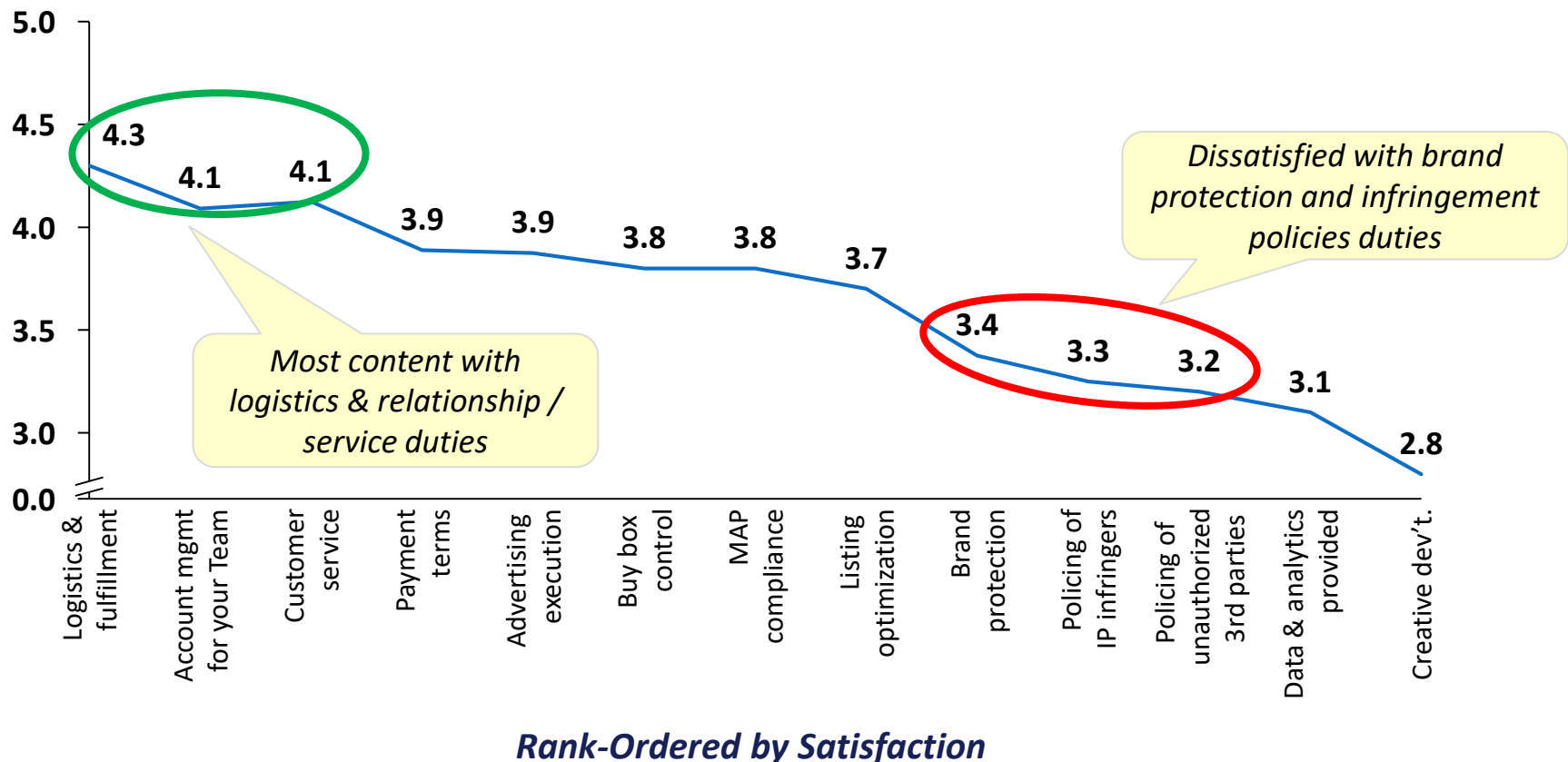
## Attribute Rating: Importance (1-5 Scale; 5 = Very Important)



**Rank-Ordered by Importance**

# Satisfaction levels vary, with highest ratings for service duties; low ratings for brand protection / policing duties

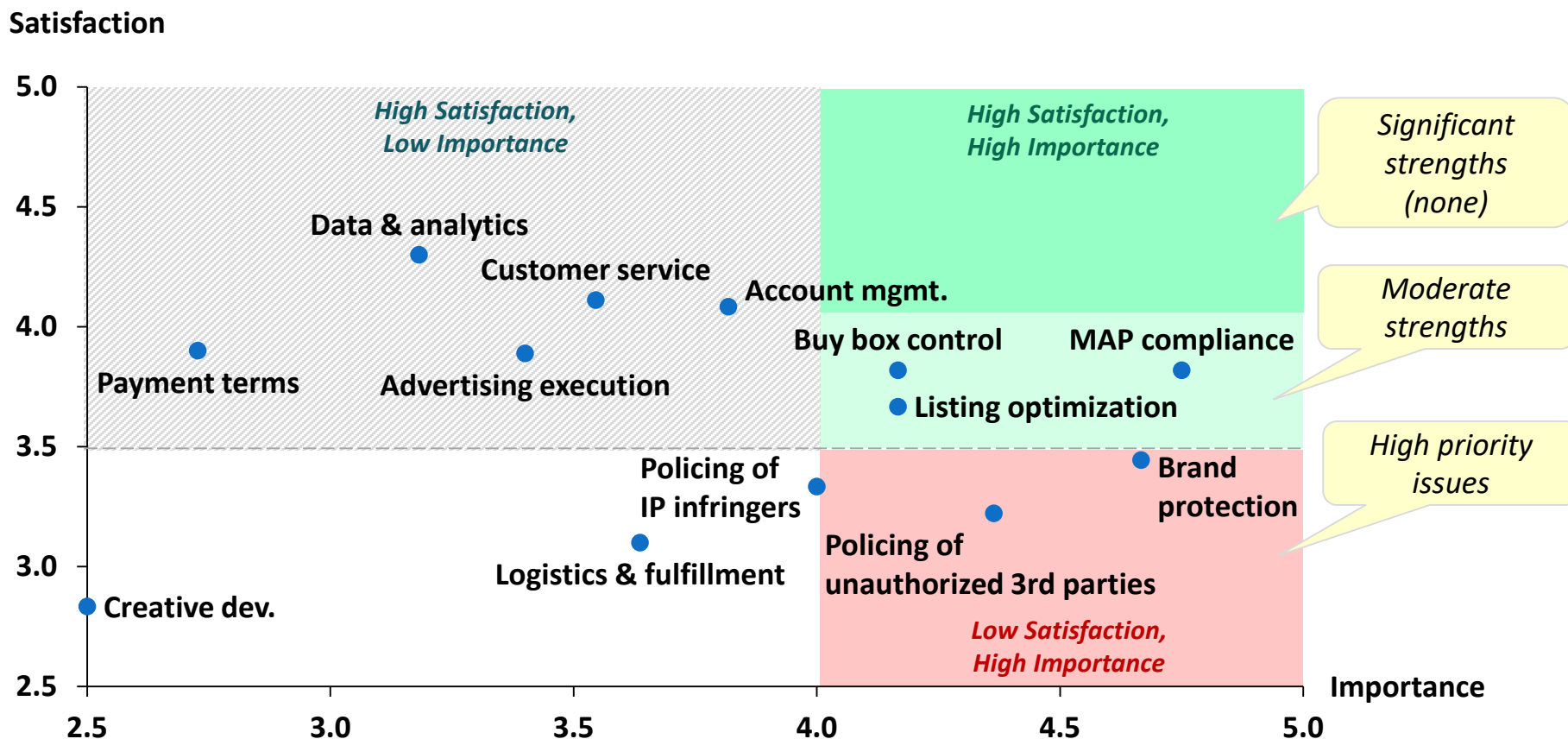
## Attribute Rating: Satisfaction (1-5 Scale; 5 = Very Satisfied)





# Resellers' strengths are MAP, buy box & listing optimization; vulnerable in brand protection & policing of 3<sup>rd</sup> parties

Attribute Rating: Importance & Satisfaction (1-5 Scale; 5 = Highest)





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# Customer relationships are relatively sticky despite short-term, informal nature of reseller agreements

## High retention rates & low anticipated churn

- Resellers report 75-90% YoY retention rates for their Customers
- 75% of Customers interviewed have had no discussions with other vendors within last year
- Customers rate “likelihood of switching within next 2 years” as a 2.7/5.0 (avg.); with only 17% of Customers reporting “likely” or “very likely” to switch

## Short & simple agreements

- Contract length is short – typically 1-2 years, with Customers renewing when term is up
- Agreements may not even have a term; effectively “at will” contracts with 30- or 60-day outs
- Buy-back provisions rarely included in these agreements

## Brand protection difficult to manage in-house

- All (7) Customers who rated “brand protection” as a 5/5 on importance scale noted that it is hard for them to manage by themselves
- They reported that if they had to manage brand protection internally, it would require at least one additional resource and would not be as effective as their current Reseller partner

## Buy box control also tough to ensure in-house

- Customers who rated “buy box control” as a 5/5 on importance scale perceive this area as a challenging one to manage in-house
- Buy box must be constantly monitored & tactics must be implemented often to ensure control

## Policing of authorized 3<sup>rd</sup> parties very hard

- Customers who rated “policing of authorized 3<sup>rd</sup> parties” view managing this in-house as very hard
- Often there is a collaborative approach between Customers & Resellers to fight back against infringers, with Resellers flagging the issue quickly and then partnering with Customers to address

Note: MAP compliance easy to manage internally for brands selling directly with no resellers but hard to manage in-house if multiple resellers or unauthorized resellers lurking

# Mishandling of MAP and sales dip are biggest triggers for customers leaving current Resellers

## Reseller violating MAP and damaging brand will lead Customers to leave

- “Biggest thing is if they don't comply with MAP” – Marketing Programs Mgr., Customer
- “If sales are struggling and they push us to lower price.” – CEO, Customer
- “If they start hurting our brand by selling our products at a low price and violate MAP.” – eCommerce Manager, Customer

## A drop in sales likely to lead to termination

- “An unexpected lag in sales.” – Marketing Product Manager, Customer
- “If sales went down a lot.” – Co-Owner, Customer
- “If we felt they were producing diminishing returns on our ad spend.” – CMO, Customer

## Key metrics are sales performance and margin, service fees less important

- Customers rate “sales performance / volume” as 4.1/5.0 (avg.) on a relevance scale for termination
- Customers rate “product price / margin” as a 3.6/5.0 (avg.) on that same scale
- Customers rate “services price” as a 3.0/5.0 (avg.) – a score showing relative indifference
- Resellers asked what they think would drive Customers to terminate report similar numbers (4.4 for sales performance, 3.5 for product price, 4.0 for services price – *most variance*)

## International support key for some

- “They are domestic, and we want to go global.” – VP, Digital & eCommerce, Customer
- “International Amazon listing management... they don't do this.” – CEO, Customer

## Generally, no sales threshold for moving in-house

- 75% of Customers report there is not an Amazon revenue threshold to reach that would lead them to move in-house; 80% of Resellers agree; those with threshold in the \$10-40M range
- “Not really like that... revenues won't impact our decision to stay or go.” – Co-Owner, Customer



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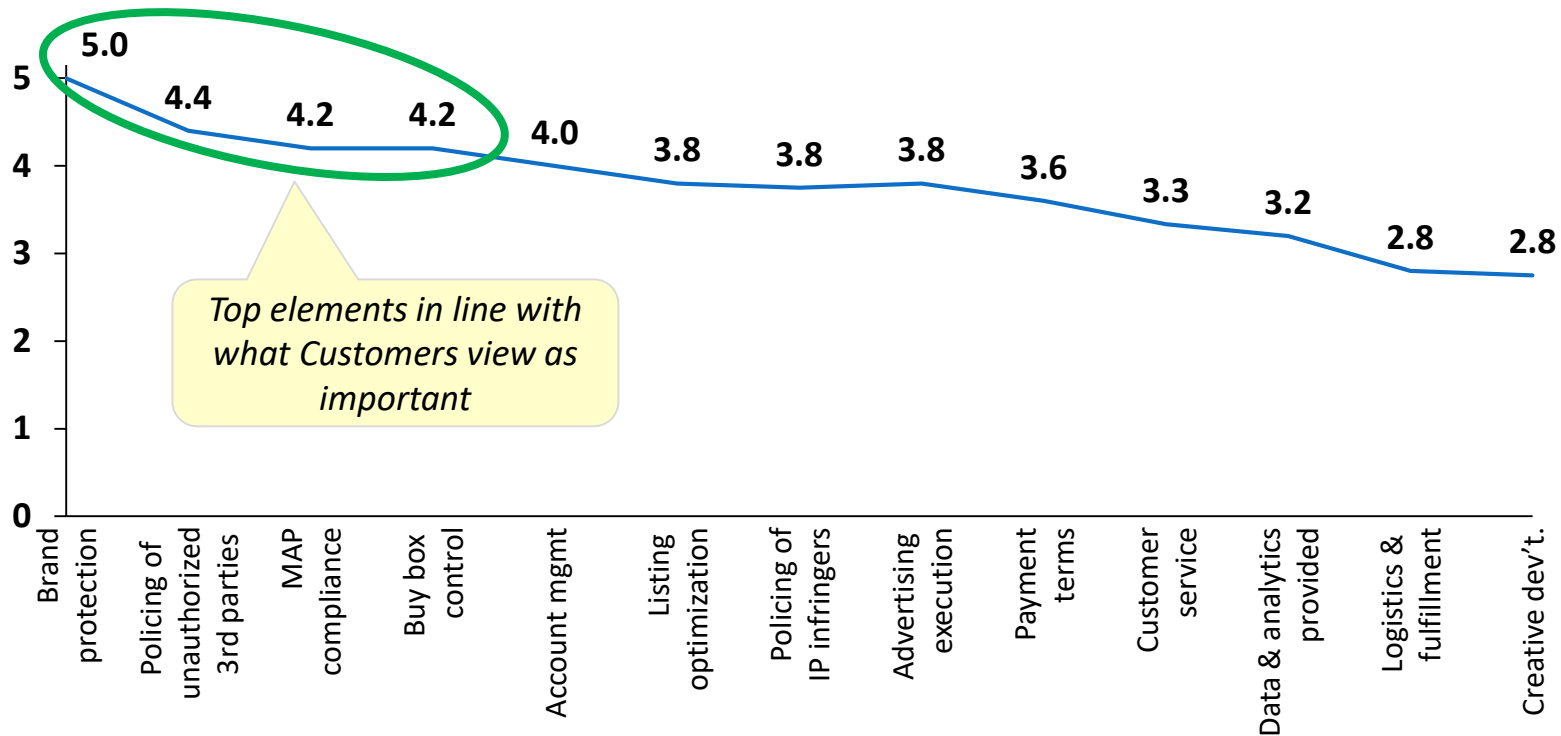
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# Resellers view brand protection, policing of 3<sup>rd</sup> parties, MAP compliance, and buy box control as most important

Attribute Rating: Importance (1-5 Scale; 5 = Very Important)



*Rank-Ordered by Importance*