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ECOMMERCE NEWS 2024

An Extensive Analysis of the Trends and
Events That Reshaped Online Retail in 2024

BY



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Featuring Insights into Q4 2023 to Set the Stage for 2024

Foreword



The reason I started analyzing and commenting on news in the ecommerce space came from a few frustrations. I frequently read news, especially in my area of expertise, which is often some of my favorites. However, I'm disappointed by how superficial most articles are. Even when relevant experts are consulted, their insights are often reduced to just a few words.

It's nice to know that Amazon is doing X and Temu is doing Y, but what I really want to understand is why they are doing it and what it means for me—whether as a consumer or a business professional.

While there are great blogs and very knowledgeable people sharing insights on LinkedIn, they can sometimes be difficult to find. Plus, they don't always satisfy my craving for different ecommerce stories. For example, I find the stories of Amazon or TikTok fascinating, but what about other players who rarely make top headlines, like eBay, Etsy, or brands such as Chewy or Levi's?

2024 ECOMMERCE REPORT

This is why I decided to write about a few select stories—combining top news reshaping the industry with lesser-discussed developments that still offer valuable lessons. My goal has always been to provide high-quality content to my readers, and writing these articles has been a fantastic learning experience for me.

I also feel fortunate to have started writing about ecommerce news during the third quarter of 2023. Over my career in ecommerce, I've seen trends rise and fade, but I believe 2024 brought some of the most significant changes since I entered the field.

Before the COVID pandemic, B2C ecommerce sometimes felt like a battle between Amazon and DTC websites. eBay's share of ecommerce had been declining for years, niche marketplaces like Etsy were too small to contest Amazon's domination, and Walmart ecommerce operations were rarely discussed. Social commerce existed, but few paid serious attention to it.

A large player then changed the game: China. Over the past few years, and especially in 2023-24, Chinese businesses have transformed the ecommerce industry. TikTok, once the home for awkward dance videos, turned into a marketing and business powerhouse. Its GMV skyrocketed, and many brands discovered that TikTok could make—or break—a business.

And I can't talk about China's impact on ecommerce without discussing Shein and Temu. By exploiting de minimis rules and international postal agreements, these companies shipped products directly from Asia to U.S. consumers at low costs. Temu went from being relatively unknown to becoming one of the most downloaded apps of 2024, while Shein now represents a significant share of parcels delivered to U.S. consumers daily.

U.S.-based businesses also saw fascinating developments this year. Amazon launched its own Temu-inspired platform, Haul, and continued to release AI-powered features. Walmart does not fly under the radar anymore and received a lot of attention from marketers this year.

2024 ECOMMERCE REPORT

U.S.-based businesses also saw fascinating developments this year. Amazon launched its own Temu-inspired platform, Haul, and continued to release AI-powered features. Walmart does not fly under the radar anymore and received a lot of attention from marketers this year.

One topic I particularly enjoyed writing about this year was recommerce. I believe it is important to give items a second life rather than discarding them, and ecommerce has a significant role to play in advancing this cause.

As 2024 comes to an end, I'd like to thank all my readers for their support and for the great discussions we've had this year. I've learned so much from my network and look forward to seeing what 2025 brings. I hope the insights and perspectives shared in this report will inspire you as much as writing it has inspired me.

François Maingret

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TIKTOK SHOPS VS. AMAZON INSPIRE THE E-COMMERCE BATTLE OF 2023

I am fascinated by the increasing competition between social media platforms and online marketplaces. In a recent piece, I wrote about the concept of omnichannel e-commerce and how the distinction between sales channels is blurring. However, it seems that figuring out who is engaged in ecommerce and who is doing social media is becoming increasingly difficult.

Rumors suggest that TikTok may ban links to external ecommerce websites like Amazon, which could be another step towards having a significant role in the US ecommerce landscape. Despite projected losses of half a billion dollars in the US this year, TikTok expects to increase daily sales on TikTok Shops from \$3 million currently, to \$10 million by the end of the year. They have a long way to go if they want to compete with Amazon's huge catalog, even though they're making progress in attracting sellers onto their platform.

On the other hand, Amazon is entering TikTok's domain by introducing a TikTok-style shopping feed. The goal is to drive customer engagement and tap into the #TikTokMadeMeBuyIt audience. While TikTok struggles to offer Amazon's shopping experience and product variety, Amazon has difficulties attracting influencers and getting users to create engaging content. Amazon was even mocked recently on social media for offering influencers "up to \$25" per video.

The outcome is still unclear, especially when TikTok will need to become profitable and potentially charge higher fees for their services. However, observing these two titans continuously reshape the e-commerce landscape is truly captivating.

AMAZON BUY WITH PRIME NEW FEATURES AND WHAT THEY MEAN FOR ENTREPRENEURS

Back in April 2022, Amazon launched their “Buy with Prime” program, allowing sellers to offer customers shopping on their website the option to make purchases using their Amazon Prime accounts and receive items through Amazon’s sophisticated fulfillment network. The goal was to generate additional revenue for Amazon, gather data, and compete with platforms like Shopify.

Amazon has now introduced two new features to their “Buy with Prime” program: Buy With Prime Cart and Buy with Prime Assist. Buy with Prime Cart enables customers to add multiple items to their cart at once, replicating a more traditional shopping experience. Buy With Prime Assist enables sellers to provide Amazon customer support at no extra cost. Customers can engage in chats with Amazon customer service representatives to inquire about shipping, orders, and returns.

In my opinion, Amazon aims to expand even further and establish a more prominent presence in the e-commerce world. Buy with Prime Assist aims to replace a portion of the seller’s customer service experience with Amazon’s. On one hand, Amazon offers excellent customer service that is available 24/7, which many customers appreciate. This can also be a valuable resource for smaller companies with limited time and resources to outsource customer service.

On the other hand, offering unique customer service can be a way for companies to differentiate themselves from what may be perceived as a “faceless corporation.” It can also lead to customer confusion regarding whom to contact regarding their orders and the nature of the entity they are dealing with. Buy with Prime Cart contributes to Amazon’s integration into retailers’ websites and streamlines the shopping experience.

Amazon claims that the Buy with Prime program can increase conversions by up to 25%, and I believe this to be true. Customers are so fond of shopping on Amazon that many of them search for an item online, find it on a company’s online store, and then head to Amazon.com to make the purchase. In 2022, over 60% of their Gross Merchandise Value (GMV) came from third-party sellers, and Amazon is determined not to lose ground to other platforms like Shopify.

While a 25% increase in conversions may sound tempting, I believe sellers should carefully weigh their options. In many cases, not utilizing Amazon fulfillment and Buy with Prime can have a detrimental impact on their sales and margins. However, employing these services can potentially diminish the customer experience, negatively affect brand identity, and complicate the process of building lasting relationships with customers.

NAVIGATING THE HOLIDAYS ECOMMERCE SHOWDOWN OF WALMART AND AMAZON

Chances are, you've heard about Amazon's Big Deal Days, that magical event that makes our wallets lighter. But do you know about Walmart's Holiday Kickoff sale? Planned from October 9th to 12th, this event will overlap with Amazon's own sale on October 10th and 11th. Walmart has big plans to increase its ecommerce presence and also said it generated over \$80 billion from ecommerce in 2022, which is a 9% growth. That is better than Amazon's overall ecommerce revenue growth of less than 6%.

Walmart had already competed with Prime Days earlier this year through their Walmart+ week. This time, they've sweetened the deal by opening their event to non-Walmart+ members.

Now, the real question is: What do these holiday sales mean for third-party sellers on these marketplaces? Obviously, sellers should anticipate a massive surge in traffic on both platforms and an opportunity for increased sales. Millions of shoppers hunting for deals will be ready, which is a great opportunity to kickstart new products or clear out old inventory.

On the flip side, as customers are expecting great deals, sellers will aggressively offer discount and start price wars, making it difficult for companies to maintain their profit margins.

Also, the cost of paid advertising on both platforms tends to sharply increase during these events, as sellers aim for maximum product visibility.

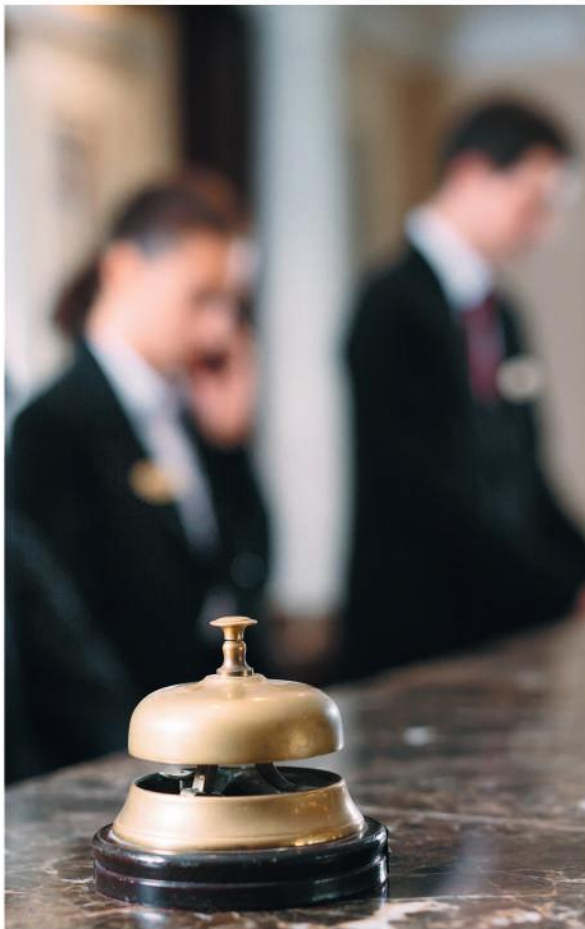
Should all companies participate in these events? While these offer massive potential, they also come with their share of challenges, and each seller will need a well-crafted strategy. Beyond understanding the dynamics of these important days, preparation is the key to success. Sellers must come up with their game plan for these events and ensure their supply chain is ready. Managing inventory can be especially difficult, with potential disruptions at fulfillment centers. Not enough inventory can mean missing out on sales, while overstocking may cause higher storage fees when these events are over. Order fulfillment can also become difficult if there is a huge surge in orders.

This year, it will be exciting to see what will happen on Walmart.com during their Holiday Kickoff sale, and see what strategy different sellers will go with.



CHOICE HOTEL INTERNATIONAL'S DRIP PRICING CONTROVERSY

A STRATEGY WE ALL LOVE TO HATE



Don't we all hate it when we see a hotel room, plane ticket, or concert ticket at an attractive price, only to be hit with a million extra fees during checkout? Convenience fees, payment processing fees, because-we-can fees, and various fuck-you fees makes a miserable shopping for customers. That delicious \$12 burger you found on the food delivery app? \$40 after various fees, delivery, and tip. And what's this? An "e-ticket delivery fee"? Receiving your football game tickets via email now comes with a price tag.

This controversial pricing strategy is called "drip pricing". Recently, Choice Hotel International found itself in hot water with the Colorado Attorney General's office for its use of this strategy.

Drip pricing strategies involve gradually revealing additional fees and charges to consumers as they progress through the booking or purchasing process. This tactic is heavily employed in the hospitality industry, and Choice Hotel International was accused of misleading customers regarding pricing. As a result, it becomes difficult for customers to figure out the true cost of a service or product.

It's quite easy to understand why businesses use drip pricing. Offering a low initial price can grab the interest of price-focused customers. It also makes the business appear more affordable than its competitors, driving more traffic to their websites. Ultimately, a customer who is already halfway through the checkout process is more likely to accept extra fees and buy, rather than someone who sees with a higher initial price before even starting the checkout process.

Of course, there are downsides. Drip pricing negatively affects a business's reputation (I don't think I know anyone who has a positive opinion of companies that resell sports event tickets), and it causes frustration for customers. But why aren't transparent companies more successful? Unfortunately, some studies have shown that customers would rather pay extra fees due to drip pricing than face an initially more expensive product with no hidden charges.

In response to the investigation, Choice Hotel International agreed to make important changes, including displaying all the fees and final prices in their advertisements. They now must provide accurate pricing information to online travel agencies and other third-party reservation services. This sends a clear message that regulators are looking at this practice and taking action to protect consumers.

We can't predict whether this marks the beginning of the end for drip pricing or if we'll see even more "convenience fees" and "order processing fees" on every purchase we make. Ultimately, it's essential, as consumers, to understand these practices to make the best possible decisions. As entrepreneurs, we must also understand what it means to use drip pricing, its advantages but also the risks on reputation, customer satisfaction, and the perspective of regulators on this strategy.



IS SOCIAL COMMERCE A THREAT TO BRICK-AND-MORTAR STORES? UNPACKING INDONESIA'S RESPONSE

In the latest news, the President of Indonesia has announced that his country is considering issuing new regulations regarding social commerce, the use of social media for direct online product sales. The main reason behind these potential regulations is the concern over predatory pricing and unfair competition that offline businesses might face.

While specific details about the regulation were not provided at the time, the Indonesian government expressed a desire to separate social media and ecommerce, and explicitly targeted TikTok. The Chinese company is rapidly expanding its presence in the ecommerce world, with Tiktok shops, and is investing billions of dollars to compete with other ecommerce giants, including Amazon.

Until we heard about the details of these regulations, I found two things interesting about this article: what could have triggered Indonesia's concerns, and TikTok's response to this announcement.

IS SOCIAL COMMERCE A THREAT TO OFFLINE BUSINESSES?

Why would social commerce be a threat to offline businesses? The Indonesian government mentioned that sellers on social media could have an unfair advantage regarding pricing. While it is true that online sellers tend to have lower overhead costs, they also have to pay for shipping, and marketing to drive traffic to their pages. Other advantages of social commerce include the convenience to order remotely, the wider reach of an online presence, or the social validation coming from reviews and users recommendations.

But traditional ecommerce enjoy similar advantages, so why is Indonesia targeting specifically social commerce? It is difficult to tell at this stage, but two factors could be at play: 1 – Traditional Ecommerce is too big to see new heavily impacting regulations and 2 – Customer behavior is changing, with Statista estimating that sales via social media will reach \$1.3B in 2023 and over \$2B after 2025.

In my opinion, offline channels will need to adapt to this changing environment. Not only do they have the possibility to develop their own online channels, brick and mortar stores still have several advantages over online channels. This includes an immersive in-store shopping experience, no shipping delays or fees, the opportunity to physically engage with products and try them before buying, or the opportunity for social interactions.

TIKTOK'S RESPONSE TO INDONESIA'S CONCERNS.

The second thing I find interesting is how TikTok responded to these news. According to a Reuters article, "A TikTok Indonesia spokesperson on Monday said that social commerce was important for local sellers and helps connect them with local creators who can direct traffic to their online shops." This statement highlights some of the positive aspects of social commerce, and it is clear that millions of entrepreneurs can benefit from it. However, I would like to consider a potential misalignment between TikTok's goals and those of offline sellers. A social commerce platform like TikTok relies on Sellers joining the platforms to generate money off advertising, fees and increased traffic.

It may have little interest in driving traffic from TikTok to retail stores, but would rather capture offline customers and get them to buy on their platform instead.

Social commerce can be an important piece of an omnichannel model, but I sometimes wonder about the future of the "Social" part of social commerce. I believe that platforms will keep encouraging customers to interact with each other through comments, reviews, videos or other features). However they may also try to limit interactions between buyers and companies. Amazon restricts communication between customers and its 3rd party sellers, so customers don't purchase from the brand D2C websites. I think there is a good chance social commerce will follow a similar plan, as platforms will try to maximize revenues from selling fees and advertising.

UPDATE

INDONESIA'S BAN

ON SOCIAL COMMERCE

THE IMPACT ON CONSUMERS AND SOCIAL COMMERCE GIANTS

Have you ever heard the term "TikTok brain"? TikTok videos, reels, and other short formats are killing our attention span, and there is now a name for this phenomenon. In fact, nearly 50% of users surveyed by TikTok said that videos longer than a minute long were "stressful". ONE minute is stressful now?! In addition to shrinking our attention spans, short videos are highly addictive, with the average TikTok user spending a whopping 95 minutes a day on the app. With this data in mind, it is no surprise that the recent TikTok ecommerce venture, TikTok Shops, is successful. But this success might be short-lived in some countries, with Indonesia very recently banning shopping transactions on social media apps.

THE PSYCHOLOGY OF TIKTOK SHOPS PURCHASES

Let's first analyze the mechanics behind TikTok shops purchases. Typically, there are two big types of purchases: emotionally driven and rationally driven. Emotionally driven purchases is when you walk by a bakery, you see a delicious slice of chocolate cake in the window, and get in the store to buy it. You don't ask for the full ingredients list, you don't compare prices with other nearby bakeries, you don't call your uncle for advice on the chocolate cake market. Instead, you get in line, spend a little money, and leave the bakery within minutes, your slice of cake in hand.

On the other hand, rationally driven purchases involve more thoughts and research. When buying a car or expensive power tools, consumers invest more time to compare their options. While you are unlikely to buy a car off TikTok shops, a sweater or skincare item may be a lot more tempting. Consumers are exposed to hundreds of short, exciting videos, and it can be difficult to resist making these impulsive, emotionally driven purchases. TikTok shops have remarkably reduced some of the friction previously involved with social commerce, enabling users to make purchases without even leaving the app.

THE IMPACT ON TIKTOK AND HOW FRICTION AFFECTS SALES

Indonesia recently decided to ban shopping transactions directly made within the app. Sellers can still promote products, and direct consumers to alternative platforms to make the purchase. This does not sound like a big deal, but believe me, it is.

In Stock

Qty: 1 ▼

Add to Cart

Buy Now

Ships from Amazon.com

Sold by Amazon.com

Returns [Eligible for Return, Refund or Replacement within 30 days of receipt](#)

Amazon's "Buy Now" button

Over the years, ecommerce platforms are making tremendous efforts to make the purchasing processes as easy as possible. The emergence of One-click purchase buttons (such as the Amazon "Buy Now" button), streamlined checkout processes or saved payment methods contributed to a smoother, faster purchase experience.

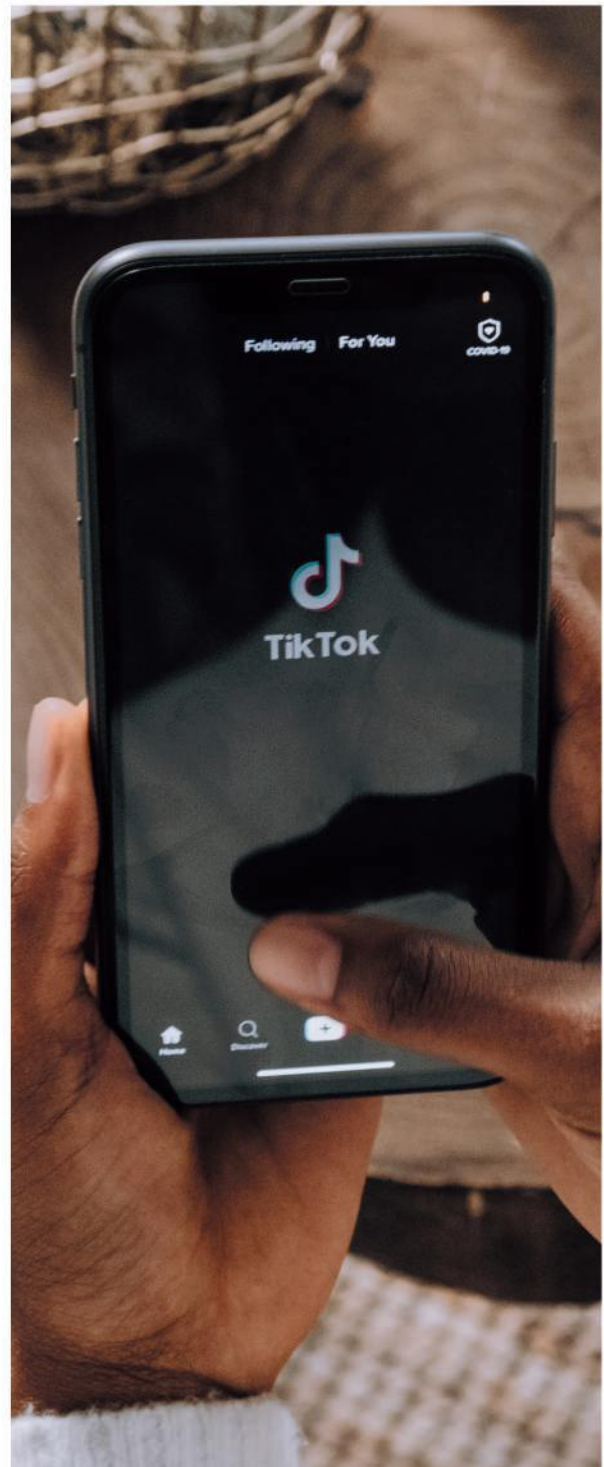
The idea that customers now have to login to a different platform, and potentially go through a typical checkout process (maybe even creating an account in some cases) is a disaster for TikTok and its 3rd party sellers. When mostly dealing with impulsive purchases, time and efforts required work against the seller. The greater the friction during the purchasing process, the lower the conversion rate. It is no surprise that TikTok is pushing back against these new regulations. The Chinese platform, as well as other industry experts, argues that banning social commerce and in-app purchases will stifle innovation and impact millions of sellers.

THE CONTROVERSY OF REGULATING ECOMMERCE INNOVATION

TikTok has very ambitious plans with its TikTok shops feature, not only with Indonesia's young population and its 100 millions users, but in other countries as well. I believe that other countries are closely watching what is happening in Indonesia, and these new regulations can potentially throw a wrench in TikTok's plans. My personal views on the subject are conflicted. The laser-targeted For You page and past paced content can be seen as predatory.

Many young consumers are already struggling with social media addiction, the addition of frictionless purchasing options can be detrimental to their mental and financial health. On the other hand, the TikTok model represents a massive innovation in the ecommerce field, and a good opportunity for people to discover new products and hear video testimonials from the community.

Regulating innovation can be controversial and a difficult issue. Now that a large country, and strategic region for TikTok, has taken action, it will be very interesting to see how other nations will react, and what will be ecommerce giants' response.





DEEP DIVE

Amazon in Hot Waters

A Focus on the Recent Antitrust Lawsuit

Did you know that even when shoppers discover a product they like on a retailer's website, 90 percent of them still compare it with Amazon's offerings or prices? It shows how big Amazon's influence is in the ecommerce landscape

and why they strive to offer the best deals to their customers. However, if you've been reading the news, you likely know of the antitrust lawsuit that has brought Amazon under scrutiny.

Having spent many years as a seller on Amazon in multiple countries, I was very interested to hear more about it. The lawsuit accuses Amazon of using monopoly power to push higher prices for consumers, overcharge its 3rd-party sellers, and stifle competition. I would like to go through the key parts of the lawsuit, and reflect on what can be done to improve the situation for all stakeholders, including customers.

There are three points in the lawsuit I find especially interesting:

- The tactics Amazon allegedly uses to ensure third-party sellers don't offer the same items on other online channels at a lower price.
- The accusation that Amazon shows preferential treatment towards its proprietary brands and makes shopping confusing for customers by bloating search results with sponsored listings. This would also force sellers to heavily invest in advertising if they want to generate sales.
- The allegation that Amazon puts pressure on sellers to use its logistics and fulfillment services, resulting in Amazon getting half of the sellers' total revenues.

BATTLE FOR THE BUYBOX: HOW AMAZON MAINTAINS THE LOWEST PRICES ON ITS PLATFORM

Every Amazon seller knows it well: 'Having the Buybox' on Amazon can make or break a business on the marketplace. The BuyBox is a very important section on a product detail page, where customers can directly add items to their shopping carts and make a purchase.

If you have the Buybox, it means that whenever a customer will add an item to their cart, the sale goes to you. However, when multiple sellers offer the same product on Amazon, only one can have the Buybox at a time. Amazon's algorithm will determine which seller wins the Buybox, based on various factors including price, shipping speed, seller rating, and fulfillment method.

Now, enter the recent antitrust lawsuit against Amazon, claiming that the tech giant contributes to higher prices by manipulating this Buybox and taking it away from sellers who offer lower prices elsewhere. For example, if a company sells a product on both Amazon.com and its own D2C website for \$49.99, everything is fine. The company may decide to cut its price on their own website.

After all, they don't pay selling fees to Amazon when selling on their D2C website and enjoy better margins. So they can afford a small price decrease, to attract more traffic to their website. Sounds like a reasonable move, right? Unfortunately, the day they decrease the price by even one penny on their website, Amazon will take the Buy Box away from them. That is a huge deal for sellers; it has been estimated that losing the Buy Box means losing 40% of revenues on Amazon.

According to Amazon: '[...] some of the businesses selling on Amazon might still choose to set prices that aren't competitive. Just like any store owner who wouldn't want to promote a bad deal to their customers, we don't highlight or promote offers that are not competitively priced. It's part of our commitment to featuring low prices to earn and maintain customer trust, which we believe is the right decision for both consumers and sellers in the long run.'



However, while it makes sense not to promote a bad deal to the customer, consider this: what if Amazon's practices inadvertently prevents sellers from offering great deals on alternative channels? In some niches, Amazon third-party sellers already operate on razor-thin margins. Due to various fees, the cost of advertising and logistics, they simply can't afford to offer better prices to their customers on Amazon.

On the flip side, they may be able to offer better deals on other channels, but in fear of losing the Buybox on Amazon, they keep their price the same across all channels. You could argue that they could just quit selling on Amazon. But that isn't an option for many sellers, for whom Amazon is a huge part of their revenues. As one business owner in Alabama mentioned in a mybnc15 article, 'If you're a third-party seller, there's just no other marketplace. There's no comparable marketplace.' He recounted how, in the past, he relinquished 20-25% of his revenue to Amazon, but now, it claims a staggering 50%.

So, does Amazon's approach truly benefit customers by ensuring lower prices, or does it inadvertently prevent its third-party sellers from offering better deals on other channels? Judging this without concrete data is challenging, but it's undeniable that some sellers grapple with the complexities of staying competitive, securing the Buy Box, all while maintaining healthy profit margins. The cost of selling on Amazon continues to rise year after year, compounded by the influx of new competitors into the marketplace. While an industry group contends that many large retail businesses employ policies akin to Amazon's, this particular aspect of the lawsuit has received favorable reception from consumer advocacy groups.

WHAT CAN BE DONE TO IMPROVE THE SITUATION FOR CONSUMERS AND THIRD-PARTY SELLERS?

A clear conflict of interest emerges in the Amazon ecosystem, involving Amazon itself, customers, and third-party sellers. Both sellers and Amazon aim to maximize their profits and market dominance, while customers look for the best possible deals and shopping experiences. What could be done to improve the situation?

The first thing that comes to mind is getting Amazon to stop imposing its third-party sellers to have the lowest prices online on their Amazon listings. This would take some pressure off sellers, who would in some cases raise their prices on Amazon, resulting in Amazon getting more revenues in selling fees. However, loyal Prime customers would not be happy with the higher prices, and may start shopping on other channels, which would hurt Amazon's revenues. Technology makes it easy for Amazon to monitor prices over the internet, and having the lowest prices on some items, in addition to the fast free shipping, contributed heavily to their success.

Lowering selling fees for sellers would certainly help them in the short run, provide relief and increase their net margin.

It would certainly make a difference for customers, as sellers would have an opportunity to offer better deals.

But not only would this strategy hurt Amazon's revenues (Amazon reported third-party seller service revenue of \$117.7 billion in fiscal 2022, according to FactSet), I believe the result would be marginal for many sellers. Those with desirable, unique items, and a strong brand would see their profitability increase in the long run if Amazon lowered the fees. On the other hand, in the many commoditized industries, lowering fees would trigger price wars, as sellers would lower their prices to attempt to gain market share.

Lastly, I believe there is a pressing need for more transparency regarding the Buybox attribution algorithm. Sellers need to know who is getting the Buybox, on what criterias, and what they should do to win it. The current opaque system can be very frustrating for sellers, and customers need to make informed decisions regarding who they are buying from. Amazon did a great job providing customers with a pleasant shopping experience, it is necessary that they provide their sellers with a less frustrating selling experience. If it becomes impossible for sellers to compete on the marketplace, this will push them away and limit opportunities for innovation.

\$

Amazon reported third-party seller service revenue of \$117.7 billion in fiscal 2022, according to FactSet

Is Amazon Now Mostly Ads?

How the Recent FTC Lawsuit Addresses the User and Seller Experience

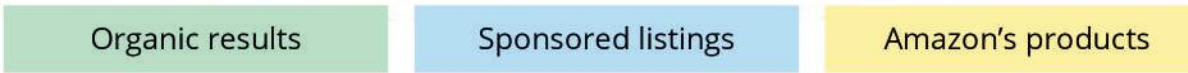
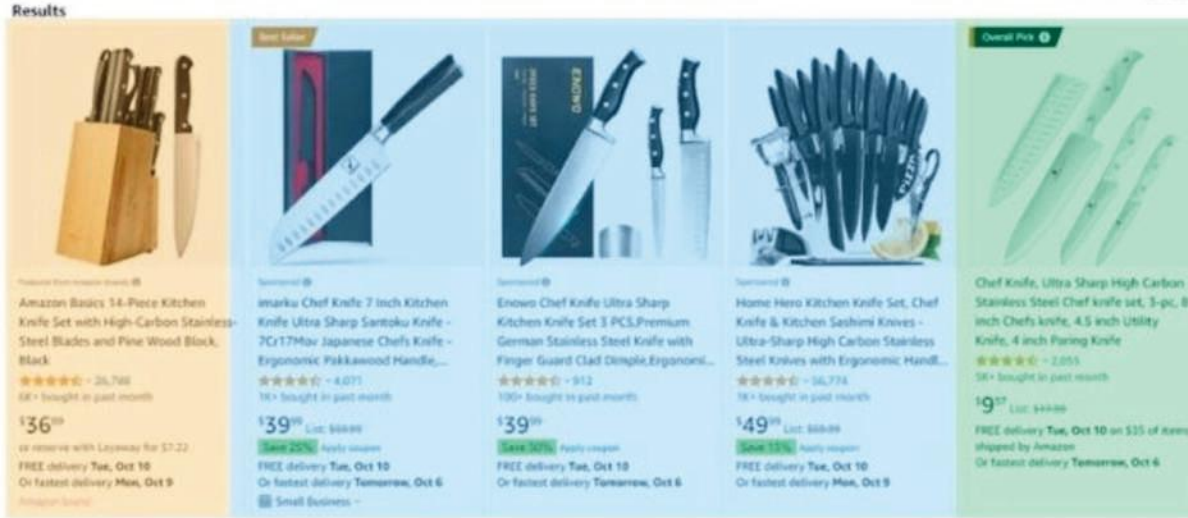
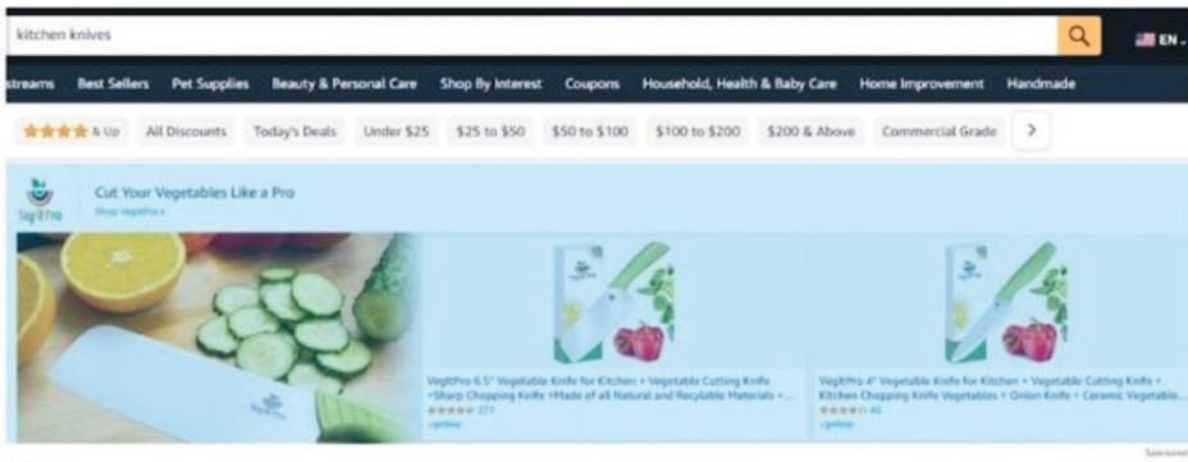
Some people remember their first kiss, others their first time flying, I remember my first Amazon order. It was almost a decade ago, I had just moved to Philadelphia as an exchange student. I remember finding the stupidly expensive textbook I needed for a class on Amazon at 20% of the university bookstore price. This is when my journey with Amazon began.

Back then, Amazon US already offered a huge selection of products, compared to European marketplaces. I was fascinated by how easy it was to find unique products and great deals. And let me tell you, things have changed. Sometimes, I'd like to go back in time and analyze the 2014 Amazon to compare it to the current version. As we will see in this article, there were many changes regarding the product search process. Changes so radical the FTC now has an eye on it.

IS AMAZON MOSTLY ADS? A LITTLE EXPERIMENT ON THE USER EXPERIENCE

Aside from my experience selling on Amazon, I often use the platform to shop. My local Amazon drivers are probably tired of stopping by my apartment, but it is just so convenient for many products. Just like the 57% of US consumers who start their online shopping searches on Amazon, I use the marketplace to discover new products.

Over the years, I found that the shopping experience became vastly different. The first page of results used to be full of the popular name brand items, with the occasional ad for lesser known products (sponsored listing). Now, over 50% of the search results are ads, including sponsored products, sponsored brands, and various new ad formats that Amazon continually introduces. I wanted to do a little experiment, and search for "Kitchen knives".



Above the fold results

Searching for “Kitchen knives” gets us a sponsored brand ad at the top of the page, followed by an “Amazon basics” listing (we’ll get to that later), and finally an organic listing. That is only one organic result above the fold! (Above the fold is the part of the webpage visible without scrolling). Let’s scroll down a little to see what happens. Below the fold results are on the right.

As you can see, there is a row of organic results, followed by a row of ads, one Amazon item, more ads, and finally organic results again. In other words, the amount of organic, non-Amazon results is quite limited.



Below the fold results

HOW THIS IMPACTS THE CUSTOMER EXPERIENCE

This situation will have an impact on the customer experience. The multiplication of ads might make it more difficult for customers to find the product they need. For example, if they have a specific brand in mind, they may have to scroll longer to find it (especially on mobile, where screen space is more limited).

Furthermore, it becomes more difficult to discover the most relevant products and the best sellers. While almost two-thirds of U.S. (65%) adults say they are purchasing more generic and store brands to save money, many customers are still attached to name brand names, and want to find them easily. It is also possible that a significant proportion of customers don't know the difference between organic and sponsored products, leading them to make uninformed purchase decisions.



Organic results in green

Above the fold on the left - below on the right

On the flip side, advertising allows customers to find out about products they would never come across if they only saw the best sellers every time. I have personally bought advertised, off-brand products in the past, and had mostly positive experiences. Balance is the key, and an optimal customer experience should display only the right proportion of ads.

I am certain that Amazon strives to offer their customers a pleasant shopping experience, but I know that they also don't want to miss out on ads revenues: Recent reports suggest that their ads revenues may hit \$10B in 2023, and it is clear that these are a key piece of Amazon's strategy.

CONSEQUENCES FOR SELLERS

The primary consequence for sellers is of course increased advertising costs. If the marketplace shifts towards a pay-to-win model for sellers, they have to spend extra on advertising to gain visibility and generate sales. This is especially true for new sellers and new brands that lack reviews and have poor organic rankings. Combined with the ever increasing costs per click, it makes it difficult for new listings to compete with established offers.

Sellers may consider increasing their prices, to secure more advertising budget. However, this approach not only disadvantages customers but also exposes sellers to price competition from rivals. And as we have seen in my previous article, Amazon punishes sellers that don't have the lowest prices across all online channels.

This is a truly challenging situation for sellers, who need to spend more on advertising and more year after year, while facing increases in various Amazon's fees, and potential price increases from their suppliers.

DOES AMAZON GIVE ITS OWN BRANDS PREFERENTIAL TREATMENT?

While this is a controversial subject, Amazon is constantly criticized for prioritizing its own private-label products in search results. Amazon had been accused in the past of using its third party sellers data to develop its own range of products, copying existing products.

Doing so would be considered unfair competition. It would give customers the idea that the product is more attractive than it really is. This would also reduce the space for organic results, and encourage other sellers to spend even more on advertising to gain visibility in the search results.

It is worth noting that the ecommerce giant plans on cutting 27 of its 30 private-label clothing brands, mentioning cutting costs, and due to the current antitrust lawsuit.

Do I think the game is rigged? Yes and no. I believe that dedicating more than half of the search results to sponsored ads makes a worse shopping experience.

However, with the new listings appearing everyday on the marketplace, there is a need for some advertising space on the website. The platform and the search results algorithm should of course show the product the customers need, but I believe they should also display new, innovative products that could be tomorrow's best sellers. Maybe the solution would be a stricter selection of who can sell on the marketplaces, and what products are not needed. It is a complex issue, and Amazon seems to be taking the lawsuit seriously if they are cutting some of their private-labeled brands. Let's hope to see positive changes in the future, so both customers and buyers can enjoy the best possible shopping experience.

What Would A World Without Amazon FBA Be Like?

According to the FTC, Amazon now takes nearly half of every dollar in sales from sellers who use its fulfillment services. Wow, that is quite a bold statement, and I can't help but picture a high school bully stealing lunch money from scrawny kids. But is the situation really this dramatic? In the final part of my FTC lawsuit review, I'd like to go over the allegations concerning Amazon's FBA (Fulfilled By Amazon) program.

IS AMAZON REALLY OVERCHARGING FOR ORDER FULFILLMENT?

The FTC also notes that Amazon has raised its fulfillment fees by about 30% between 2020 and 2022. When you read these allegations about Amazon's fulfillment services, it may seem like selling on the platform is a pretty bad deal for sellers.

I try to be as objective as possible when expressing my opinion on these issues. While I can get behind the FTC's stance on the Buybox issues, or the ever increasing cost of advertising, I tend to somewhat disagree with the allegation against Amazon FBA program.

First, the fact that sellers using the FBA program pay Amazon close to half of their sales in Amazon fees might be true. But that includes advertising, selling fees, order fulfillment, product storage, shipping, and part of customer service. When a company decides to fulfill the order themselves, they still need to cover shipping costs, fulfillment, packing materials, storage, and more. The difference is the money goes to other vendors, but these costs are real. And logistics costs sharply increased in the US over the last few years, not only at Amazon, but also major carriers and 3rd party logistics companies.

Amazon still offers competitive rates when it comes to shipping and storage fees. Many small businesses would pay a lot more in fulfillment if they had to go with another carrier, because they can't get the same UPS or Fedex rates as Amazon.

I think the real challenge lies in the Amazon prime model, and its fast free shipping on almost every item, no matter its size or price. Customers want low prices and hate paying for shipping. For example, a seller selling a 1lbs item for \$15 will pay \$5.40 for shipping, and about \$2.25 in selling fees. That is already 51% of the sale price paid to Amazon, and excludes advertising, storage, labeling, or inbound shipping.

As the marketplace is becoming saturated, many products, once innovative and unique, turn into commodities. Price wars ensue and are killing many sellers' profit margins. The area where I think improvement could be made is for larger multi-units orders. When a customer orders multiple units, Amazon charges the individual item fee times the quantity ordered. This prevents FBA sellers from making economies of scale. Amazon also makes it difficult to create multipacks (multiple units of the same products bought at once), which is one of the main ways 3rd party sellers can save on fulfillment fees. Both sellers and customers could benefit from a better policy for multi-units orders.

A WORLD WITHOUT AMAZON FBA?

After hearing about the lawsuit, I like to wonder what Amazon would be like without its FBA program.

The first thing that comes to mind is a significant reduction of the number of third party sellers on the platform.

Only 6% of sellers make more than \$100,000 per month in sales, with 56% earning less than \$10,000. Many of the smaller sellers who don't have their own warehouse or ability to work with a 3rd party logistics company may leave the platform. Others would need to invest in setting up their own logistic network. Such a massive drop in the number of competitors, and the potentially increased costs for sellers, could potentially drive prices higher. On the flip side, less competitors could bring the cost of advertising down for the remaining sellers.

Customers would be impacted as well. Items fulfilled by Amazon are known for their swift shipping and on-time delivery. Amazon is great at order fulfillment, which is key to its success. Without FBA, a Prime membership could lose some of its value, as customers might experience variations in shipping times and quality. Ultimately, this could cause Amazon to lose some of its loyal customers, who shop there for convenience and fast free shipping.

The FTC lawsuit raises some very valid points, although I hold some reservations about the claims regarding the FBA program. It will be very important to follow how Amazon will react. Massive changes in the way Amazon works with its 3rd party sellers can have a major impact on the ecommerce landscape. Customers will also be heavily impacted. With new large companies entering the ecommerce space such as TikTok and Temu, we can expect to see interesting developments happen in the next few years.

<https://www.aboutamazon.com/news/company-news/amazon-ftc-antitrust-lawsuit-full-response>

<https://myabc15.com/news/local/alabama-business-owner-agrees-with-ftc-lawsuit-against-amazon>

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RESTORING TRUST IN E-COMMERCE

THE INDUSTRY GIANTS' WAR ON FAKE REVIEWS

Do you take the time to read reviews from other customers before ordering something online? If you do, you're in good company, as about 95% of shoppers do the same. However, you probably know that not all reviews online can be trusted. In the digital marketplace, it is common for unscrupulous companies or individuals to generate fake reviews, either to boost their sales or harm the reputation of their competitors. The proliferation of these deceptive reviews has become a huge problem in the e-commerce world.

That is why six online titans have formed the Coalition for Trusted Reviews. Amazon joined Booking.com, Expedia Group, Glassdoor, Tripadvisor, and Trustpilot to share best practices and fight fake online reviews.

THE PROBLEM OF FABRICATED REVIEWS

Dharmesh Mehta, VP of Worldwide Selling Partner Services at Amazon, emphasizes the importance of customer reviews in the shopping experience in a statement: "Customer reviews are an important part of the shopping experience, and the goal of this coalition is to ensure every review reflects customers' actual experiences."

Other platforms are also taking this issue very seriously. Fraudulent reviews have always been illegal and are a major problem for consumers. Consumers rely on reviews to make informed choices, and these reviews can lead to disappointment, financial losses, and a loss of trust. Legitimate businesses can suffer reputational damage when fake negative reviews are posted by malicious competitors.

This phenomenon is more widespread than you think; Amazon alone removes millions of fake reviews per year from its platform. As an e-commerce professional, I always pay attention to customer reviews, as these are a great source of feedback on our offer. I have seen very obvious fake negative reviews on some of my products, but sometimes these can be more difficult to identify.

Misleading reviews can take many forms, from the most amateurish to the most sophisticated. Malicious actors can create fake accounts to post reviews or even form alliances with other sellers to create more reviews. However, most of the fake reviews online come from specialized companies that offer their services to malicious sellers. There are also more sophisticated ways to post fake testimonials, such as listings hijacking on Amazon or the use of artificial intelligence.

The Coalition and What is Considered a Fake Review



Recognizing the detrimental impact of fake reviews, the Coalition for Trusted Reviews has identified four core areas of focus, according to the Amazon press center.

- **Industry Alignment:** Developing common standards and definitions for use throughout the industry around what constitutes a fake review and other content moderation nomenclature and measurement.
- **Best Practice Sharing:** Defining best practices for hosting online reviews and sharing information on updated content moderation processes and methods of fake review detection.
- **Information Sharing:** Sharing information relating to how fraudulent actors operate, such as companies selling fake reviews to businesses seeking to unfairly and improperly improve their reputations.
- **Advocacy:** Engaging with academics and public policy leaders to promote the benefits to consumers of review content and support industry efforts to combat fake reviews from being published.

All of these areas will be crucial in fighting deceptive reviews, as this is a complex and widespread practice. It seems like each actor currently has a different opinion on what constitutes a fake review. Paying a company to post five-star reviews on your product under fake identities is obviously fraud. But what about if your friends and family buy your product? And can you ask legitimate customers to review your product in exchange for a discount? Defining what a fabricated review is will be a complex problem, as gray areas exist, and different actors have different ways to collect and display product reviews.

The Federal Trade Commission (FTC) already sees fake reviews as against the law due to misleading customers. Earlier this year, the commission sought to propose new rules defining deceptive online reviews. For example, they define that reviews can't claim to be written by a person who doesn't exist. The FTC is also against businesses removing negative reviews on their offer by threatening legal actions. While gray areas still exist, it is interesting to see that regulators and businesses are looking into this issue. According to Samuel Levine, director of the FTC's Bureau of Consumer Protection: "Regardless of the liability regime, it is in the interests of consumers and the businesses that use these platforms for them to be policing this problem better. They have the most visibility into what's happening, they are often in the best position to stop it, and we want them to be doing more."

WHAT CAN BE DONE TO FIGHT FAKE REVIEWS?

While defining what constitutes a fake review is a good start, most of the challenge lies in countering them. Malicious sellers and actors are well organized and employ advanced technologies to post their reviews. I will be very interested to see how the new coalition will react and what measures we will see. Several tools are currently available to fight fraudulent reviews, even though continuous improvement is necessary to stay relevant amid evolving fraudulent tactics.

Technology will most likely play a significant role. Advanced algorithms, machine learning, and pattern recognition can identify unusual patterns in language and content, such as overly and unusually positive keywords. Algorithms can also look into reviewers' history and detect suspicious accounts, for example, if they post large quantities of overly positive or negative reviews (Online Karens are in reality not as common as the internet may suggest).

When a suspicious review or user is flagged, this data is used to refine and update the detection algorithms. Over time, the algorithms become more adept at recognizing new tactics used by malicious actors. And in the most complex cases, human moderators can jump in and use nuanced judgment.



In addition to technology, companies can set up verification steps to ensure the authenticity of the reviews posted, such as requiring reviewers to verify their identity before they can post. Legal action can also be a way to fight fake reviews. Although going after organizations providing these reviews can be difficult, as they tend to operate from all over the world, it can send a strong message. Websites and platforms taking advantage of deceptive reviews to promote some products over others should also face legal actions for misleading customers.

CONCLUSION

With millions of fraudulent reviews posted every year and the increasing sophistication of technology used by “review farms,” tracking and fighting them will be a massive challenge, even for industry giants. The FTC’s growing concerns over this issue highlight the negative impact on businesses’ reputations. We can only hope that the Coalition for Trusted Reviews will make a difference in the war against fake reviews.

PRIME BIG DEAL DAYS SUCCESS AND A SELLER'S DILEMMA

Everyone has a few products they love, but only buy when they are on sale. Whether it's electronics, luxury fashion, or even our favorite candies, sometimes we just refuse to pay full price, but are quick to pull out our credit card when we see a good deal online. For me, this product is Liquid IV. I feel like it really helps me not be dehydrated after a long flight. I wasn't surprised when I heard that Liquid IV products were among the top sellers during the successful Prime Big Deal Days event on October 10-11.

SURPASSED EXPECTATIONS FOR PRIME BIG DEAL DAYS

This was the second time Amazon held Prime Days in the fall, and this edition outpaced the previous edition last year. Amazon has reported that consumers ordered more than 150 million items from third-party sellers. Over 60% of sales on Amazon come from the two millions third party sellers registered on the marketplace, most of them being small to medium sized businesses. It is clear that Prime Days are a strategic issue for anyone selling on Amazon, as the platform sees a massive, temporary surge in traffic. Let's take a look at how customers reacted to this event, and what the multiplication of Prime Days means for Sellers.



In a statement, Doug Herrington, CEO of Worldwide Amazon Stores, described Prime Big Deal Days as "a strong start to the holiday shopping season, offering Prime members an exclusive early opportunity to save and surpassing our expectations." He also noted that the event outpaced the previous year's holiday kickoff event, with more Prime members participating.

Numerator's report indicates that the average order size during Prime Big Deal Days was \$53.47, which was slightly lower than July's Prime Day sale but higher than last October's Prime Early Access sale. This could be due to the event being only 3 months after the more anticipated Prime Days in July. Or maybe because Black Friday is only a few weeks away. But even though customers spent less than in July, witnessed a significant surge in website traffic.

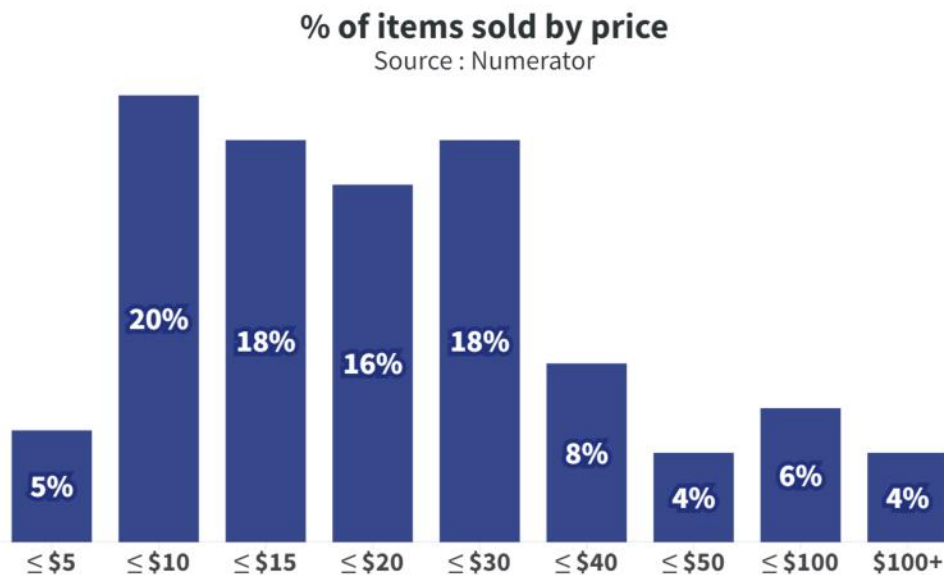
Sellers must prepare for these Prime Days and anticipate how strong will be the increase in the demand for their product. Ensuring that their products will be in stock at all times is crucial to not miss out on sales, but overstocking can be costly, especially with increasing storage costs during the holiday season.

Alternatively, businesses can take advantage of these events to clear out slow-moving inventory. It's worth noting that customers hunting for deals tend to have a Prime membership, and tend to be more loyal to Amazon. This gives sellers an opportunity to showcase their products to many potential returning customers.

Numerator also reports that more than half (60%) of Prime Big Deal Days items sold for under \$20, while 4% were over \$100— the average spend per item was \$27.90.

WHAT IT MEANS FOR SELLERS

Now, let's talk about profitability. These statistics reveal that most items bought were relatively inexpensive, with an average price per item at \$17, and many items priced under \$15. Sellers already have to pay selling fees, and shipping. On smaller items, shipping fees make up a substantial portion of the sale price.



In addition to the fees, many sellers chose to offer discounts and lower their prices during the Prime Days to boost sales and take advantage of the increased traffic. And because businesses want as many customers as possible to see their products, most of them are also invested in pay-per-click advertising (the cost of advertising tends to increase temporarily, as sellers are competing harder for keywords). You see where I'm going with this - while sales are great, profitability may not always follow for 3rd party sellers.

However, some sellers have profit margins high enough to sustain price cuts while remaining profitable. In other cases, sellers may sell at very low margins, or even at a loss. This can be a deliberate customer acquisition strategy so they will become repeat buyers in the future. If Amazon or Walmart decides to host Prime Days more frequently, this could place even more pressure on sellers to maintain low prices to stay competitive. Customers don't need to buy a new TV every quarter, but many of them appreciate the opportunity to buy household staples at a discounted price multiple times a year.

Is this a positive or a negative for businesses? I'd say it depends on various factors, mostly their brand identity, customers' attachment to the brand, and available substitutes.

When a customer stays loyal to a brand, and is not influenced by discounts on alternative products, Prime Days can be a great deal for that brand. They see increased traffic and don't face intense competition, they can more easily maintain healthy profit margins. On the other hand, when customers are less loyal and more price sensitive, brands need to compete harder to gain sales. Businesses can either stay away from Prime Days and potentially miss out on sales, or participate actively but at the cost of much lower profit margins.

CONCLUSION

Predicting the success of Prime Days can be difficult, as many factors are at play. Amazon is spending tremendous resources to advertise them, businesses must prepare and craft a relevant strategy for their offer and their competitive landscape. Customer behavior is always changing, based on economic conditions and what other major ecommerce players are doing. Only time will tell if these special events will become more frequent in the near future, or if Amazon found the best schedule for the moment.



Halloween's Sweet Treat

Record-Breaking Consumer Spending

Ah, Halloween. That time of the year when children are allowed to trespass with a mask on, and take candy from strangers. It's also the time when adults either wear the cheapest, last-minute costume, or go crazy and compete for the most elaborate outfit. Although there are major differences in how much each customer spends, the Halloween season is still an economic powerhouse.

It is estimated that the average consumer will spend \$108 in 2023, up from \$100 last year. Halloween is a major event for retailers, and customers' interest does not decrease. Let's see how customers shop during the season and how businesses can plan for it.

RECORD HALLOWEEN SPENDING: AN OVERVIEW OF THE \$12.2 BILLION ESTIMATE

It is estimated that consumers will spend \$12.2 billion on this year's spooky season. This would be the highest amount ever recorded, and a massive growth of 8% compared to last year. It is interesting to notice that the increase over the last 10 years is similar to inflation between 2013 and 2023 (35% vs 32%), although most of the inflation happened in the last three years.

Even accounting for inflation, consumers spent less in the last three years, but Halloween is still a very popular holiday. Customers are shopping weeks ahead. According to Phil Rist, Prosper Executive Vice President of Strategy "Younger consumers are eager to begin their Halloween shopping, with more than half of those ages 25-44 planning to shop before or during September."

When looking at how customers spend their Halloween dollars, the National Retail Foundations estimates a near-even split among costumes, decor, and candies.

Est. spending per category

Source : NRF

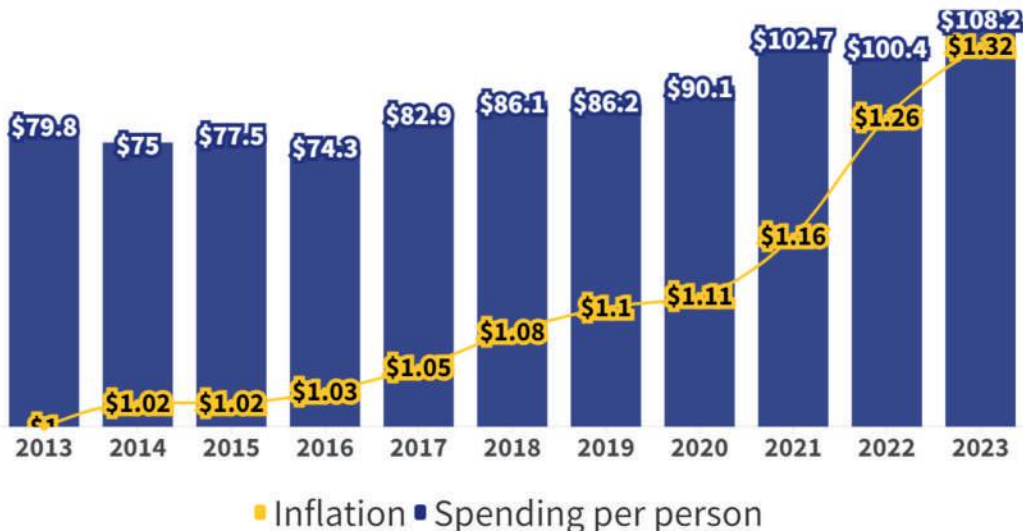


While candies are, for the most part, bought at the grocery store, costumes and decors are very popular online. Not only do people tend to buy more stuff online generally, but they also look online for inspiration. It is now so easy to find something you like on social media, click on a link to Amazon and have it arrive the next day. Moreover, early shoppers benefit from easy returns, although the majority still prefer in-store purchases. Impulse buying at major retailers like Walmart and Target remains a prevalent trend.

Halloween purchases are very influenced by pop culture, and we can expect to see many Barbies and Ken at Halloween parties this year.

Average spending per person and inflation since 2013

Source : Statista



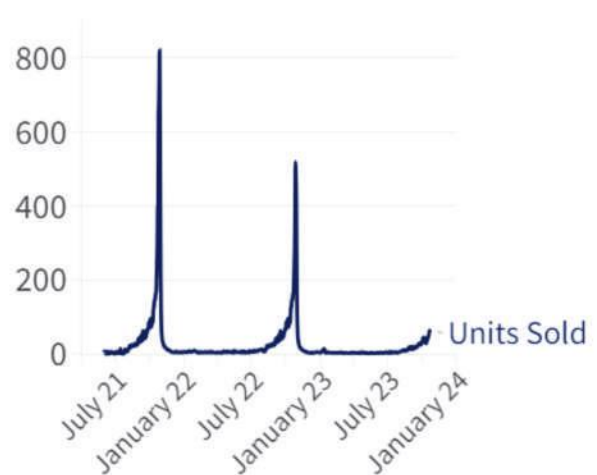
CRAFTING HALLOWEEN MAGIC: HOW BUSINESSES CAN PREPARE FOR IT

Given this massive opportunity, businesses must prepare for this event. Halloween costumes, decor, and to a lesser extent, candies are highly seasonal items. Businesses who sell these items early have an advantage over others, and can for example resort to marketing tactics such as offering deals and discounts for those who buy several weeks in advance.

Timing is key, and it can be very challenging to concentrate efforts when customers are the most ready to buy. As an example, I looked at the estimated daily sales on Amazon for a rather popular Halloween item. It is estimated that the brand sells on average 5 units a day during the off-season, compared to 254 units per day in October – a massive 5000% increase! Sellers can't afford to be out of stock during this very important month, but overstocking would pose a year-long storage dilemma.

A common misconception is that only businesses specializing in candies, costumes, or Halloween decor can reap the season's rewards. In reality, B2C businesses across most industries can find ways to increase their revenues during the event. A bakery can for example sell Halloween themed cupcakes, and share Halloween cookies recipes on its social media. A craft store can offer "DIY costume kits" and create video content on how to craft the perfect costume. A simple display of black and orange may not be enough in attracting customers, but clever and innovative marketing ideas can be game-changers for more traditional businesses.

Estimated units sold per day for a popular Halloween item



CONCLUSION

Halloween is not just a day of wearing cool costumes and eating candy; it's a commercial juggernaut, with spending projected to surpass any previous record. As the spooky season approaches, businesses must prepare to tap into this multi-billion-dollar opportunity. Costumes, food, or decor ideas are being shared faster than ever, thanks to media like Tiktok. Customers want to easily go from idea to purchase, which is now possible with social commerce. Even businesses that have nothing to do with traditional Halloween products can take advantage of the season and increase their revenues. Halloween, despite the impending arrival of Black Friday and Christmas, continues to hold tremendous importance for consumers and stands as a crucial opportunity for many entrepreneurs.

<https://www.statista.com/statistics/274295/americans-planned-expenditure-on-Halloween-related-items/>



From Q3 Hurdles to Holiday Hustle

Are Ecommerce Returns a Good Bet for UPS?

Have you ever wondered how Santa gets gifts to every home so quickly? He's got a secret weapon: a brown sleigh with the letters U-P-S on the side. When the reindeer are overworked, UPS is out there, making holiday wishes come true. UPS and other carriers will be busy this holiday season, as up to 80% of customers say they plan on shopping online.

But hold on, we aren't there yet. Let's take a moment to go over UPS's Q3 performance. It's a big deal in the world of e-commerce, and things haven't quite lived up to what we were hoping for. UPS isn't just sitting around, though. They're on the move, making changes and taking action. Let's jump into the numbers, UPS strategy, and the outlook on the upcoming Christmas season.

BEHIND THE NUMBERS: UPS'S Q3 PERFORMANCE

I don't think I need to introduce UPS. This giant in the shipping industry ships over 20 million packages and documents daily to more than 220 countries and territories. This is significantly more than one of its main competitors, FedEx, with "only" 6 million packages daily.

UPS recently reported their numbers for the third quarter of 2023. Their revenue declined 12.8% from the year-ago period to \$21.1 billion. Their consolidated operating profit declined 48.7% over the same period to \$1.3 billion. We can also observe a stronger decline in the most recent quarter, as well as a similar decrease in the domestic market, from \$15.4 billion to \$13.7 billion, with operating profit tumbling down by 66%.

And here's something for the stock-watchers: UPS stock recently hit a new 52-week low and updated their yearly revenue forecasts, now between \$91.3 billion and \$92.3 billion, down from its previous projection of \$93 billion.

Several performance indicators for UPS are raising concerns. Notably, their reported operating margin sat at 4.2% on the domestic segment, while it should be in the 10-15% range. UPS also reported that their UPS average daily package volume declined by 11.5%. Their margins are drastically better on the international segment, at 14.8%, but that is a much smaller part of UPS revenues.

Volumes were a problem for UPS, partly due to drop during labor negotiations. There was some uncertainty while the new labor contract with the Teamsters was not fully ratified, but UPS is confident volumes will improve and they will regain momentum. A pressing concern for UPS was the notable decrease in higher-margin services, particularly a near 30% year-over-year drop in profitable international shipments. It has been reported that UPS clients favored less expensive shipping options, going with UPS ground over air courier, and some even considered other carriers. In recent years, both UPS and FedEx had hiked their rates amid rising volumes. But as market conditions worsened and shipping volumes have decreased, they had to offer discounts to keep their existing customer base.

▼ UPS Stock - 2023

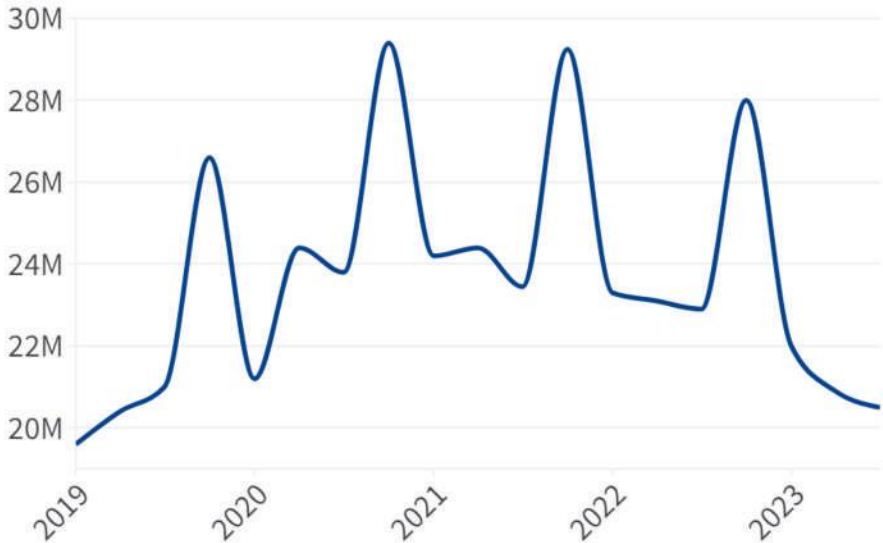


2023 was anticipated to be challenging, and it has lived up to that expectation. The company lowered guidance, to \$91.7B from \$93B. However, UPS is investing in several important initiatives. For example, UPS has a strategic objective to become the number one complex healthcare logistics provider globally.

They have made acquisitions, such as Bomi and the announced acquisition of MNX Global Logistics. The company has been expanding its healthcare distribution operation, and plans to open seven new dedicated healthcare facilities in Europe and the US. This is part of their goal of reaching a \$10 billion healthcare revenue target.

Average Daily Package Volumes

Source : Company filings



Beyond some of their other digital transformation, operational efficiency and cost reduction initiatives, I'd like to focus on one I found especially interesting : the acquisition of Happy Returns.

HAPPY RETURNS ACQUISITION AND THE COST OF CONVENIENCE

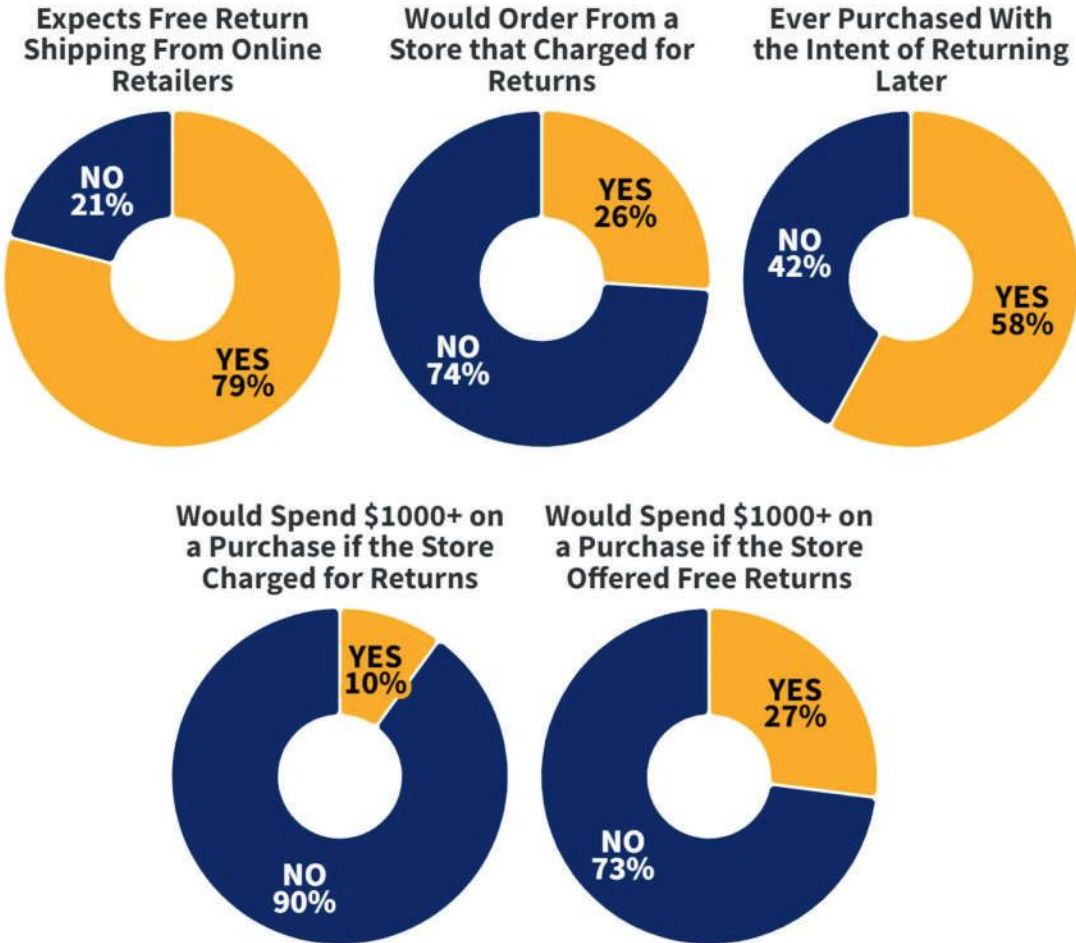
Online shopping is great, except when you order some stylish-looking clothes that make you look like a clown once you get to try them on. Fortunately, it is now easier than ever to return items. Online shoppers returned \$428 billion worth of products in 2020, with an estimated return rate of 15% to 20%.

UPS recently acquired Happy Returns from PayPal, a service that simplifies the process of returning online purchases. It allows customers to return items without a box or label. This service also includes a large network of 12,000 drop-off locations, which, when combined with UPS locations, are often found in convenient places like retail stores and shopping centers. The service is integrated with many e-commerce platforms and retailers, making the process even easier for customers.

While returns are a key part of e-commerce, I wonder about the future volumes of items returned. The Wall Street Journal recently reported that companies pay on average \$26.50 to process \$100 in returned products. Returns can be very costly for retailers, and as companies pivot from chasing top-line growth to focusing on profits, we might see more of them start to pass these costs onto consumers. Unfortunately for businesses, a recent survey from Invesp has reported that 79% of consumers expect free return shipping, and 74% also stated they would not order from an online store that charged for returns.

This puts retailers in a tight spot, having to juggle consumer expectations with the reality of bottom-line impacts. I wrote about product returns earlier this year (<https://fmaingret.com/2023/03/how-can-online-businesses-effectively-deal-with-product-returns/>), and look forward to seeing how many companies will update their return policies in the near future. If they do, this should have an impact on UPS and the return on investment for the acquisition of Happy Returns.

Consumer Behavior on Ecommerce Product Returns



ECOMMERCE'S HIGH STAKES: THE 2023 HOLIDAY OUTLOOK

Now comes the SuperBowl of E-commerce: the holiday season. With Black Friday and Christmas coming soon, it is certain that volumes of shipments will surpass those of the first three quarters of the year. The real question is, can the 2023 holiday season beat 2022? Deloitte's retail and consumer products practice says yes and estimates that holiday sales will reach \$1.54 to \$1.56 trillion during the November to January period. According to a recent release, "Deloitte also forecasts e-commerce sales will grow between 10.3% to 12.8%, year-over-year, during the 2023-2024 holiday season. This will likely result in e-commerce holiday sales reaching between \$278 billion and \$284 billion this season."

UPS shares this rather optimistic outlook. Despite the dip in earnings, CEO Carol Tomé stated in a press release that the company is "well-prepared for the peak holiday season." The company will be hosting its annual "Brown Friday" hiring event, with over 600 in-person and virtual events on Nov. 3rd and 4th. On the other hand, some experts are forecasting a slow holiday season. The definitive outcome remains uncertain, but one thing is clear: this will be a major event for E-commerce players.

\$

"Deloitte also forecasts e-commerce sales will grow between 10.3% to 12.8%, year-over-year, during the 2023-2024 holiday season. This will likely result in e-commerce holiday sales reaching between \$278 billion and \$284 billion this season."

FROM DISRUPTION TO DIVESTMENT UNILEVER IS SELLING DOLLAR SHAVE CLUB

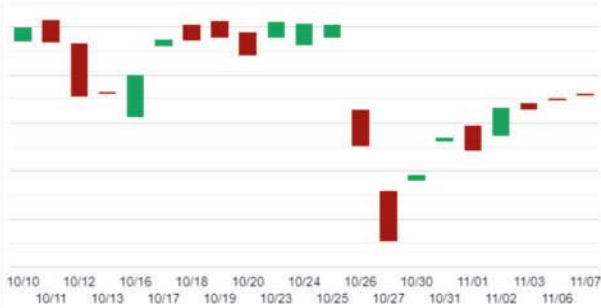
I could write a whole article on the Ad that turned Dollar Shave Club into a billion-dollar company. The ad was hilarious, but also communicated the company value proposition very well : quality razors delivered to your door at a fair price. But instead, I want to go over Unilever's announcement to sell the majority of its stake in Dollar Shave Club to Nexus Capital Management.

Back in the days, the company's disruptive direct-to-consumer (DTC) model was a little revolution, and a major success. The company's journey took a sharp turn when it was acquired by Unilever in 2016 for \$1 billion. Fast forward to today, Unilever is stepping back, and sold Dollar Shave Club, while retaining a 35% share. Let's take a closer look at the latest news on this strategic move, see how the DTC model has changed since the early days of Dollar Shave Club, and try to understand what motivated the decision to sell.

REFOCUSING ON CORE STRENGTHS: UNILEVER'S STRATEGIC PIVOT

Following the success of Dollar Shave Club, the acquisition of the company by Unilever was a clear signal that the DTC model had potential. The intention was to capture part of the booming ecommerce space, and expand its presence on the growing male grooming market. However, it appears that integrating the disruptive startup into Unilever's wide portfolio of massive, established brands was more challenging than initially expected. A year before selling Dollar Shave Club, Former Unilever CEO Alan Jope said during an earnings call in 2022, "Dollar Shave Club did not deliver as expected, and the economics of the DTC model changed.". The recently appointed CEO, Hein Schumacher, was not satisfied with the company's competitiveness, despite Underlying sales growth of 5.2% for the third quarter of 2023.

It seems like Unilever's new strategy will be to focus on its core brands, such as Dove or Hellman's. "Prioritizing these brands will give us a real opportunity to improve Unilever's growth profile," said Schumacher. He also mentioned Dollar Shave Club. "Dollar Shave Club is an example of unsuccessful attempts to move away from our core."



Unilever Stock - October 23



“Dollar Shave Club is an example of unsuccessful attempts to move away from our core.”

Hein Schumacher, recently appointed CEO at Unilever

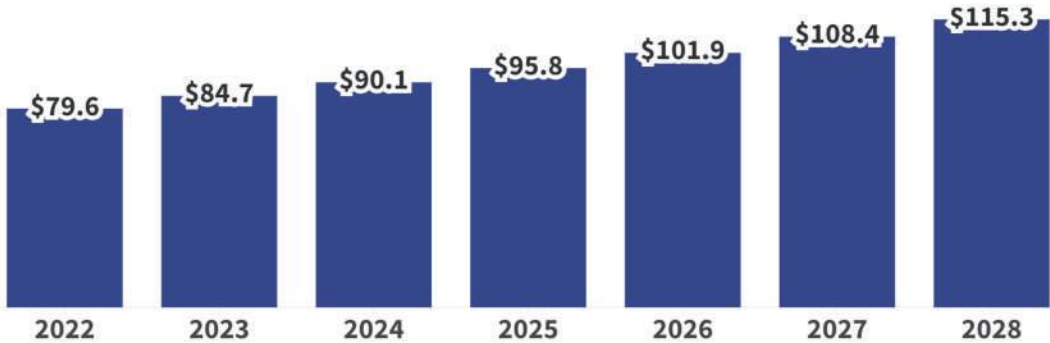
While the financial terms of the deal were not disclosed, Nexus Capital Management seems optimistic about the company. "We are thrilled to acquire Dollar Shave Club, based on its strong brand loyalty, pioneering DTC model, and omnichannel presence. We see growth potential and will invest in cutting-edge marketing, product quality and new innovations," says Michael Cohen, Partner at Nexus Capital Management.

DOLLAR SHAVE CLUB'S BLUEPRINT: THE DTC APPROACH

Direct-to-Consumer (DTC) in ecommerce is a business model where companies sell products directly to customers, bypassing traditional retail channels such as third-party stores or distributors. Dollar Shave Club is a prime example of a successful DTC business, selling directly to customers tired of paying for overpriced blades.

Global Men's Personal Care Products Market Size

Source : Statista





Their success was followed by many brands. Selling directly to customers has several advantages compared to selling through a 3rd party.

Branding and customer relationships

Companies selling DTC have better control over their brand image, the messages and interaction with customers. Their identity is stronger than if their product was sold on the aisle of the grocery store next to a million other brands, and they can build better relationships with customers.

Agility

Brands can be faster when implementing changes in their offer, pricing, or strategy. For example, this model allows companies to easily create subscriptions to their product and control the customer experience.

Profitability

Eliminating middlemen means brands can potentially enjoy higher profit margins.

OMNICHANNEL STRATEGIES REDEFINING RETAIL

That being said, many brands that originally started as purely DTC expanded into omnichannel. Dollar Shave Club did that in 2020, and customers can now find their product in retail stores, including at Target and Walmart. There are many more examples of originally DTC brands who now sell on other channels. The footwear brand Allbirds initially started as a DTC brand, but now opened physical stores and sell their products through retailers like REI, Dick's or Nordstrom. Warby Parker expanded its product line from its early days, but also opened its own retail stores.

Physical stores can help them reach new customers who prefer shopping in person, and give customers a chance to touch and feel the product before buying. It also gives the brand more visibility.

On the other hand, there are some very established brands that are now setting up DTC channels. Even though Nike started selling its products DTC through its website in 1999, they keep growing their own channel, especially since the Covid-19 pandemic. Under Armour's DTC strategy has been part of its business model for several years, they also operated their own retail stores. The omnichannel model keeps growing in popularity, and these examples show the blurring lines between traditional retail and originally DTC brands.

CULTURAL FIT CHALLENGES: WHEN STARTUP MEETS CORPORATE

As we see most brands going with omnichannel strategies, and with Unilever extensive experience with DTC brands such as Hourglass or Graze, can we really say that Dollar Shave Club's origins in the DTC space caused them to not be a good fit for Unilever? It might be a simplistic answer. The real reason may be a combination of other factors. Dollar Shave Club was a fast growing startup, with a distinct, entrepreneurial culture and agile mindset. It may have been challenging for them to integrate with a corporate empire like Unilever.

The added complexity has made it challenging for them to grow and scale. There could also be a lot of other economic and market dynamics factors. Finally, Unilever made it clear that they are shifting their strategy, and need to refocus on their strongest brand. Although they sold Dollar Shave Club, they retain 35% ownership, sending a clear signal that they still see potential in the brand.

<https://cosmeticsbusiness.com/unilever-turnover-lags-in-q3-as-new-ceo>

<https://beautymatter.com/articles/nexus-capital-management-to-buy-dollar-shave-club>





TikTok's New Logistics Network

And the Impact on the Competitive Environment

In my opinion, one of the main reasons behind Amazon's success is its attractiveness for 3rd party sellers. The large amount of traffic and the easy way to generate sales (profitability is another story) certainly helped. Another big reason is their fulfillment network, notably their FBA program.

When I didn't know much about Ecommerce, I thought the idea of 3rd party logistics programs was genius and a huge opportunity for ecommerce entrepreneurs. It is no surprise that Walmart, a serious contender in the US Ecommerce space, launched their marketplace along with their WFS (Walmart Fulfillment Services) program.

The hot topic in Ecommerce this year is TikTok shops, leveraging the huge amount of traffic the Chinese social network has seen over the last few years. Their next strategic move is to develop a logistic network for its Ecommerce feature. Let's see how it will work, how it compares to Amazon's, and what will be the impact on consumers.

TIKTOK'S ECOMMERCE EVOLUTION: BEYOND INFLUENCER MARKETING

When I first downloaded TikTok a couple of years ago, I had no idea how much the company would change Ecommerce.

Of course, I thought that companies would advertise and strike deals with influencers. However, I did not see the Chinese company going as far as building a fulfillment network. TikTok is hoping to attract more sellers to the platform through this fulfillment network, most likely inspired by Amazon. Sellers won't have to be in charge of fulfilling orders themselves; they'll be able to rely on this new network to outsource this task and focus on more strategic goals. According to the company, its fulfillment service allows them to provide a "seamless and fast shipping experience for merchants and customers."

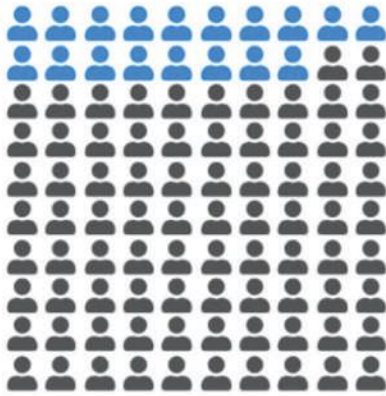
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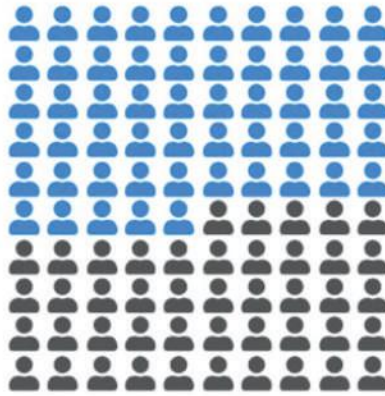
A major difference between Amazon and TikTok's models is that TikTok built partnerships with logistics providers like ShipBob and Newegg rather than building their own warehouses. Processes won't be as streamlined (for example, Sellers will be responsible for arranging shipping to the fulfillment centers directly with the carriers, versus using Amazon Seller Central and benefiting from discounted rates), but this is a major step towards market share growth. However, TikTok didn't comment on whether it may build its own warehouses in the future. In addition to coming up with their own fulfillment services, TikTok is also subsidizing free shipping to customers, in an effort to encourage sellers to join the platform.

According to TikTok, "For orders using TikTok Shipping, we offer free shipping to buyers on orders of \$5 and above for first-time customers and \$20 for returning customers. TikTok will reimburse shipping costs up to \$40 for Standard and \$80 for Express shipping."

They will also offer to subsidize discounts of as much as 50% to get sellers to join the Black Friday program, taking place from Oct. 27 through Nov. 30. US consumers spent over \$20B online during Black Friday and Cyber Monday last year, and with consumer spending expected to reach similar levels this year, TikTok wants its share of the pie.



18% of global 18-64 internet users on TikTok



55% use TikTok to discover new products



61% may engage in online shopping on TikTok

TIKTOK'S ECOMMERCE FUTURE: FROM SELLER BOOM TO MARKET WARS

What will be the impact of these new features on sellers and customers? The first thing that comes to mind is that it may decrease the likelihood of customers getting scammed and receiving the wrong items. Merchants will need to actually ship the product to get paid, and I am hoping that TikTok will be quick to ban malicious sellers who ship counterfeits.

The easier it is to join the platform and sell, the more attractive it will be for sellers. That is what caused millions of new sellers to join Amazon, hence the popularity of “Make a quick buck with Amazon FBA” gurus online.

A lot of these “FBA Entrepreneurs” joined Walmart Marketplace when the WFS program became easily accessible. Now that TikTok is offering an easy way to sell, what do you think will happen? This is even more true now that TikTok offers to subsidize shipping and deals. The main difference between TikTok shops and Amazon is the shopping experience. When (and if) TikTok gets flooded with “FBA Sellers”, it will be interesting to see how the shopping experience evolves.

Over the years, Amazon dedicated more and more space to sponsored ads. Will TikTok eventually take this route and turn TikTok Shops into a pay-to-win model?



For now, what we can observe is how fast sellers will join the marketplace, and how competitive the environment will become. Strong brands may thrive, taking advantage of discounts and subsidies. Rising brands will be able to test a new channel at a lower financial risk. However, I believe things will be more complicated for weaker brands, lacking differentiation and identity. I wouldn't be surprised if we see bloody price wars, with many sellers competing for limited market share.

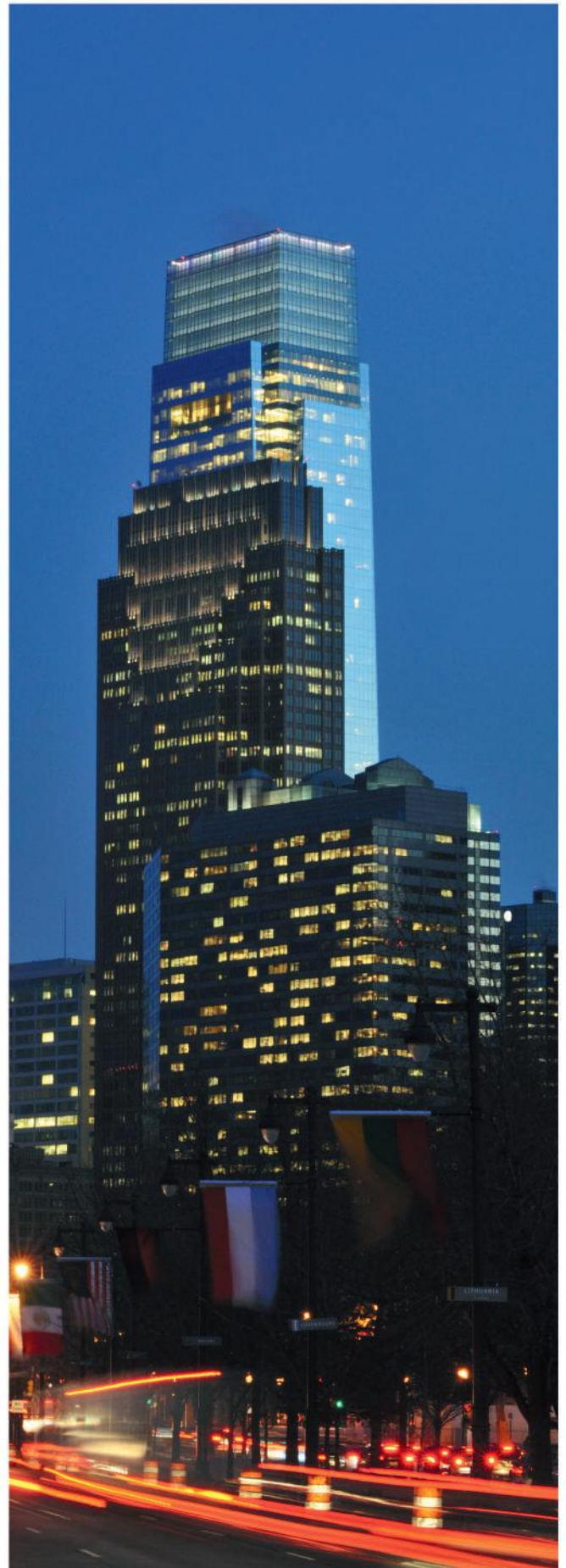
CONCLUSION

TikTok's introduction of logistics and fulfillment services is a major move for the company, getting inspiration from Amazon's successful model. This new venture aims to attract sellers by making logistics easier and more efficient for sellers, so they can focus on their core expertise and added value. TikTok even offers to subsidize shipping costs and deals, which is especially attractive right before Black Friday.

However, making it so easy for sellers on TikTok could lead to market saturation and intense competition. The challenge for TikTok will be to manage this potential increase in sellers, and find a way to become profitable in the future. If successful, TikTok's new logistics network could significantly impact the Ecommerce world, benefiting consumers and transforming online shopping trends.

https://seller-us.tiktok.com/university/article/agreement?knowledge_id=10013714&identity=1

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AMAZON NOW SELLS CARS: A NEW ERA OF GROWTH OR A ROAD FULL OF POTHOLES?

Amazon sells millions of different products: clothes, food, lawnmowers, toilets, and even houses. Not much is missing, especially now that we're almost able to buy cars on Amazon. Starting in 2024, Amazon plans to revolutionize car buying by enabling customers to purchase Hyundai vehicles online directly from its platform. Amazon's latest move, in partnership with Hyundai, may significantly impact the auto industry. The news was strong enough to impact the stock prices of companies like Carvana and Autotrader in mid-November. This move is a natural progression for Amazon and its digital showrooms, presenting an unprecedented offer to consumers.

The concept is easy to understand: customers can search for new Hyundai cars, configure them according to their preferences, and complete the transaction directly on Amazon, choosing between home delivery or pickup at their local dealership. This is a natural move, considering Hyundai's digital showroom introduced on Amazon in 2018. There are also plans for integrating Amazon's technology, including Alexa, into Hyundai vehicles after 2025.

While I can't wait to ask Alexa how many miles are left until the next Buc-ee's, there may be some issues down the road. The traditional auto industry has a very complex model, and its state-specific regulations will be challenging. While companies like Tesla are already exploring direct online sales, Amazon's entry into this industry is more questionable. ?

Will the platform be a vehicle (pun intended) for change, or will it struggle when facing dealerships and regulations?

The announcement hit the auto market hard. The impact on the stock market shows how potentially game-changing this could be for the industry. However, will customers trust Amazon for such important purchases, especially when other brands are not available online yet?

Amazon's venture into car sales promises speed and efficiency for consumers, but could also shake up the industry more than expected. For traditional dealerships, it's like watching a self-driving car drive by: wondering about the future, and worrying about what the consequences may be.

Amazon and Hyundai's partnership may create a future where buying a car is as easy as buying a book online. However, the car-buying experience is so unique that it may be challenging to get customers to trust the process. While visiting a dealership isn't always the best experience, it's hard to imagine what it would be like to not see, touch, and experience cars the traditional way. The complex industry and regulatory environment make things even more challenging. We'll see how things go for Amazon and Hyundai. If this works, we can wonder what is off-limits for Amazon to sell?

BLACK FRIDAY 2023

RECORD SALES AND SHIFTING CONSUMER TRENDS



I remember watching videos of people rushing through the store and fighting for flat-screen TVs on Black Friday. Fortunately, when I was old enough to buy myself a large TV, online shopping had taken over, and there are now much easier ways to enjoy great deals.

For digital marketers, Black Friday and Cyber Monday are the Super Bowl of online shopping. The 2023 period did not disappoint, with record-breaking sales that show how E-commerce is still growing. While I won't go into details about this important time (thousands of others have done it successfully), I still want to communicate to my readers the most important insights for this season.

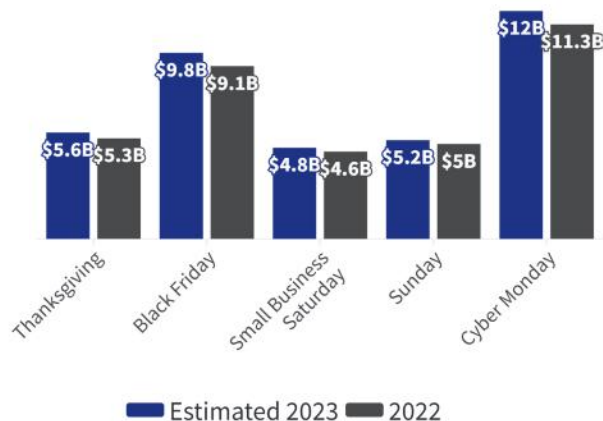
A NEW SALES RECORD THIS THANKSGIVING SEASON

In 2023, according to Adobe Analytics, Black Friday online sales reached new heights at \$9.8 billion, which is 7.5% higher than last year. Shoppers did not wait for Black Friday, as sales on Thanksgiving reached new records as well, with a 5.5% growth year over year, and \$5.6 billion in total sales in 2023. As expected, TVs, smartwatches, and other electronics were big hits this year, with sales up 152% compared to a typical day in October. According to Salesforce, the biggest areas of growth in the U.S. were footwear and handbags (up 22%), sporting goods (21%), and health and beauty (17%).

Another important insight is that the growth was much stronger online than in brick-and-mortar stores. According to the MasterCard SpendingPulse index, e-commerce sales grew 8.5% on Black Friday, while overall retail sales rose by 2.5%, and should be even higher on Cyber Monday.

Actual and Projected U.S. Online Retail Sales in \$billions

Source : Adobe Analytics



INSIGHTS ON CONSUMER BEHAVIOR

The 2023 sales period was characterized by consumers being especially sensitive to discounts and value deals. Retailers who offered substantial discounts, especially in high-demand categories, saw the largest increase in sales volumes. This isn't surprising, as consumers faced record inflation and economic conditions seem to worsen.

Mobile sales were at an all-time high this season, as Adobe reported that 59% of all Thanksgiving online sales were made on mobile devices. This shows that consumers are potentially shopping for deals anywhere, at any time.

“

“Mobile traffic and sales are soaring as people are on the go once again this holiday weekend. Consumers are embracing mobile wallets to break down friction between discovering on social and purchasing on mobile.”

Rob Garf, vice president and general manager of retail at Salesforce.

Customers also seem to favor alternative payment options, such as buy now, pay later. These new consumer preferences can explain part of the increase in sales, despite the current economic situation and budget considerations.

<https://business.adobe.com/resources/holiday-shopping-report.html>

DECODING ECOMMERCE BENCHMARKS

THE TRUE MEANING BEHIND YOUR METRICS

In this super competitive world, everyone wants to see how they rank. Which football team is leading this season? What are the top 5 best-selling smartwatches? Which car has the best 0-60 times? In reality, the most important question is arguably, “Am I doing well compared to my competition?” That’s where benchmarks come in, and they’re everywhere – from tech, health, and of course the business world.

Of course, there are benchmarks in the world of Ecommerce too. For example, Fortunet recently released their benchmark, offering a large set of metrics for Amazon Sellers, such as Advertising Cost of Sales (ACoS), Conversion Rate, or Inventory Performance Index. These KPIs are important for sellers to reflect on their performance, but also for those willing to invest in these businesses.

Here’s the catch, benchmarks come with limitations, and a simplistic reading can lead to a flawed vision of the performance of a product, strategy, or business.

Think of ecommerce metrics and benchmarks as the smartwatch on your wrist. It tracks all sorts of things, collecting millions of data points about your heart rate, calories burned, and steps taken. ‘Benchmarks’ might tell you that a healthy resting heart rate falls between 60 and 100. But what about an elite athlete whose resting HR is around 50? Would that be a red flag? This is where medical expertise is important to properly interpret health metrics. Ecommerce isn’t any different. A combination of business knowledge and reliable analytics is key for making the best decisions.

I think benchmarks such as Fortunet can be very valuable, as they are easy to read and give a quick picture of a business's performance. Yet, in order to get the full benefits of them, understanding how each metric works, and the specificity of each market is key. Is a 20% conversion rate always better than a 10% rate? While many people would say yes, it often isn't that simple. That is why I would like to go over some of the metrics found in most benchmarks reports for Amazon Sellers, and give a few examples of why context matters when evaluating business performance. (article continues on the right)

ACOS, TACOS, and Total Ad Sales %

As a reminder, ACoS (Advertising Cost of Sales) is a metric used on Amazon to measure the efficiency of an advertising campaign. It's calculated by dividing the total spend on advertising by the total sales generated from that advertising, resulting in a percentage. TACoS (Total Advertising Cost of Sales) gives a broader perspective. It's calculated by dividing the total advertising spend by the total revenue (including both ad-driven and organic sales). Finally, Total Ad Sales % is the percentage of your total sales that are directly attributed to your advertising efforts.

	Low	Moderately Low	Fair	Moderately High	High
ACoS	<25%	25%-33%	33%-45%	45%-60%	>60%
Ad Sales %	<25%	25%-35%	35%-45%	45%-60%	>60%

Fortunet benchmark for the ACOS and Ad sales % metrics

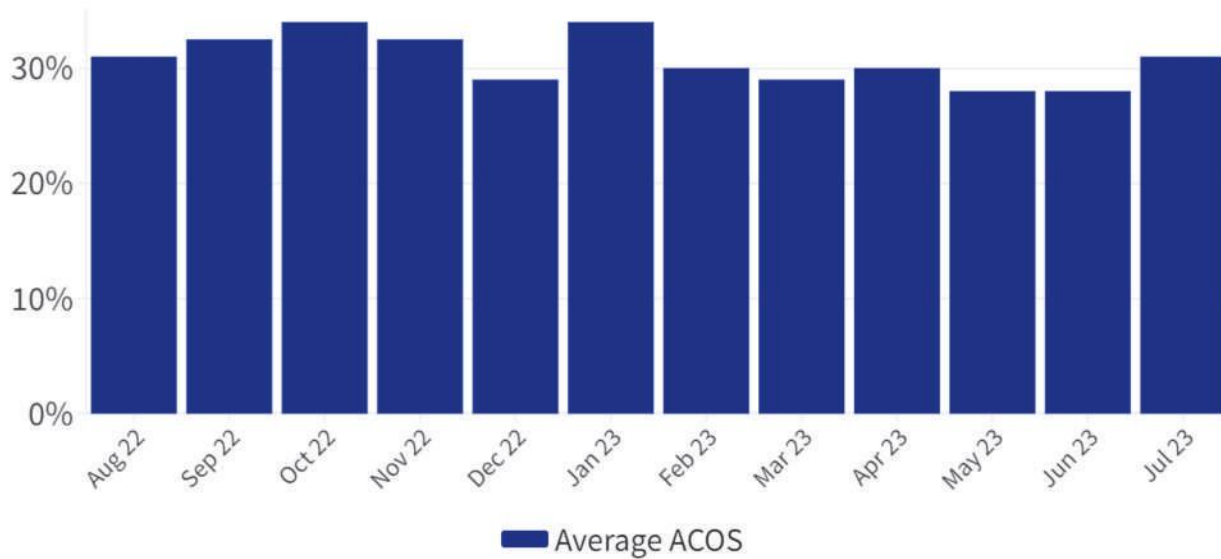
It generally makes sense to seek a lower ACoS, as this has an important effect on profitability. Also, a low portion of sales attributed to advertising is generally a positive sign, suggesting higher organic sales and most likely better rankings and a better rate of returning customers.

The numbers in the table above are interesting, and they appear to fit the average ACoS experienced by Amazon sellers.



Average ACOS on Amazon Seller

Source : Adbadger

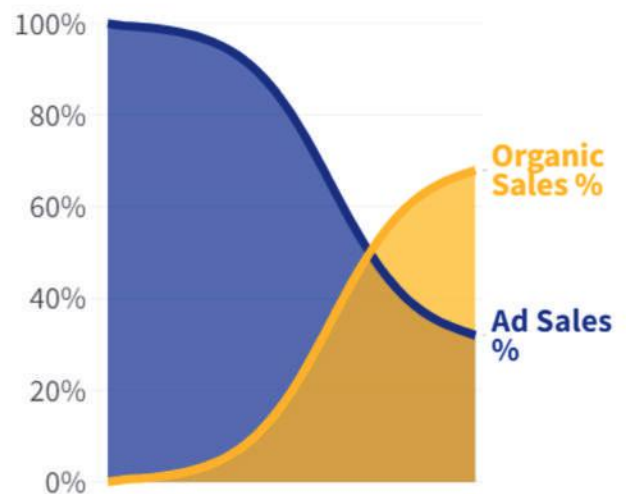


For individual sellers, this gives a good idea of how they rank compared to the average sellers, but what matters the most is how it compares to their direct competitors. The ACoS will vary based on how competitive a seller's category is, in the peak of the season for highly seasonal products, or when a new trend emerges. The sales price also has an important impact on a company's ACoS: a \$2 average advertising cost on a \$10 item results in a much higher ACoS than a \$3 advertising expense on a \$100 item sold.

Timing also matters when reviewing advertising metrics. A new product that just launched, with a very low organic ranking, will often need a higher advertising budget to generate traction, improve rankings, and accumulate reviews. Once the sales pick up, it becomes less costly to advertise, and the metrics improve. That is why the Ad sales % tend to decrease over time, in favor of the Organic sales %.

In a longer time frame, it is important to notice that advertising becomes more and more important on Amazon, with sponsored listings taking up a lot more space than they did ten or even five years ago. For all these reasons, it is important to look at recent benchmarks, and consider timing and industry specificities to evaluate a business's performance.

Ad Sales vs Organic Sales % Trends



CONVERSION RATE, REPEAT CUSTOMER RATE AND CLICK THROUGH RATE

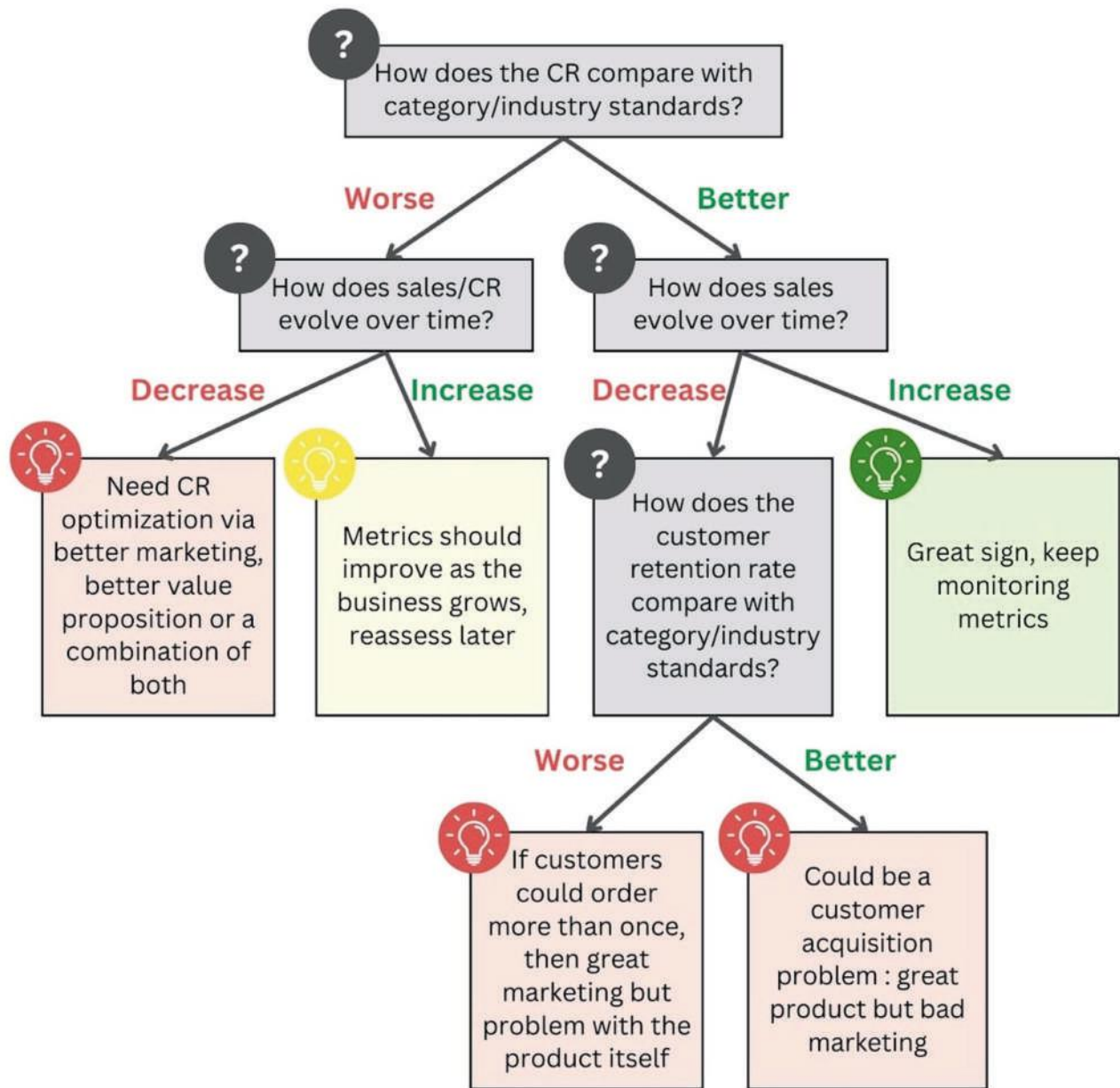
Conversion Rate (CR) is a great example of a metric that is often misunderstood. Going back to the question in the introduction, is a 10% CR inherently better than a 20% CR? The easy answer would be to say “yes”, the 20% CR would generate more revenues and is therefore better. The real answer is, it depends. Evaluating this metric in isolation does not paint a full picture. Let’s review another example: a 10% CR for a product that generates \$100K a month in sales vs. a 30% CR on a similar product that does \$1000 a month in sales. The 10% CR product sounds more interesting, not only because of the higher sales, but also due to the potential for improvement. For similar products in a given market, it is far easier and cheaper to improve the CR from 10 to 12% than from 30 to 32%.

But what does an exceptionally high conversion rate, say 50% or above, say? A first possibility is that you have an amazing product that most people will purchase once they come across it, and an amazing value proposition. It is like selling \$10 bills for \$5, a no-brainer deal. The alternative is that something else contributes to this high CR.

A metric that can inflate the CR is the customer retention rate. Retaining customers is a great thing, as the cost per conversion is lower than for acquiring new customers. Loyal fans can also help you promote your product, for example via social media and user generated content.

The problem is when a business only has a loyal customer base, but struggles to get new customers. A symptom is a high customer retention rate and high CR (loyal customers see your product on Amazon search results, and are quick to reorder), coupled with low or even negative sales growth. Unfortunately, Amazon does not allow sellers to segment their customer data and does not differentiate between CR for loyal fans and for new customers. The point is, CR and customer retention rate should be observed with sales growth in mind to have a significant meaning. Below is a simplistic interpretation of CR, that highlights some specificities based on other metrics.





Another important point is the influence of product categories and industries. Different industries cater to different customer needs and expectations. For example, in the fast fashion or other fast-moving products sectors, consumers often make emotionally driven, impulse purchases, leading to higher conversion rates.

In other categories, for example luxury products or when doing B2B sales, purchase processes are more complex and people consider their options for a long time, resulting in lower conversion rates. What's con

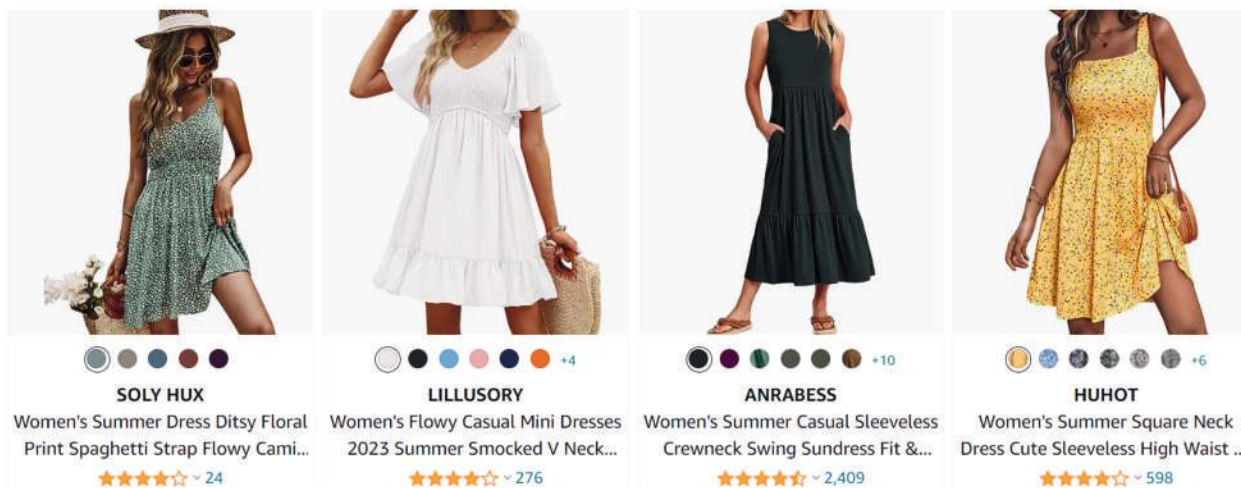
PRODUCT RATING, MARKET SHARE, AND REFUND RATE.

As you know, these metrics are key for any ecommerce business. Market share has a very strong correlation with revenues, product rating directly impacts click-through rate and conversion rate, and refund rate makes a significant difference in net profit. According to Fortunet’s benchmark, a high product rating is anything above 4.6 stars. That is most likely true across the whole marketplace, but it’s important to note that this is highly product-dependent and should be evaluated in comparison to competitors’ ratings.

Is a 4.6 high if most of your competitors have 4.8 or above? Is a 4.0 low if your competitors are all under 3.5? Many factors influence the average rating across a niche. For example, utilitarian basic products tend to have a high rating. How hard is it for a company to make low-quality paper clips? The vast majority of products have between 4.5 to 5 stars displayed on Amazon. On the other hand, fashion items tend to have, on average, lower ratings. This is often due to sizing issues. It is difficult to estimate how an item will fit; some brands may use misleading pictures, resulting in disappointed customers who may post negative reviews.



▲ Search results for “paper clips” on Amazon



▲ Search results for “summer dress” on Amazon

Product ratings also tend to be influenced by location. For example, a 4 out of 5 stars rating for a restaurant in Europe is considered good, whereas in North America, such a rating may be seen as pretty average.

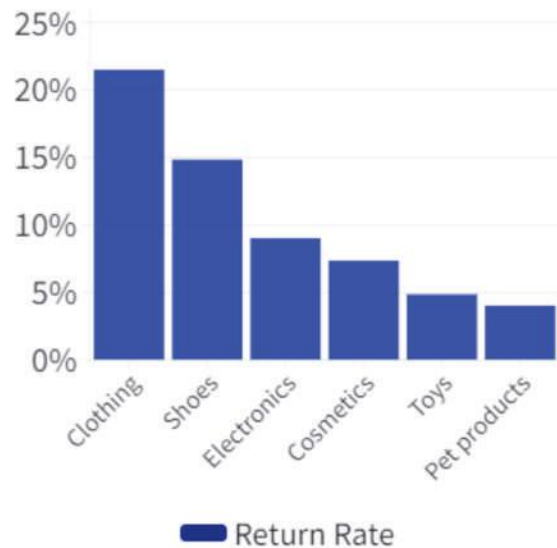
Similarly, return rates are widely influenced by the product category. Statista conducted a survey asking people, 'Which of these kinds of articles have you sent back after an online order in the past 12 months?' Unsurprisingly, the results show massive discrepancies among product categories.

It is safe to assume return rates are even higher when customers order on Amazon. The ecommerce giant has a liberal returns policy, shipping is free for millions of Prime members, and the return process is relatively easy. This example shows why context matters: a company may experience very different return rates on Amazon compared to their D2C website. Another statistic worth mentioning is the 58% of customers in the U.S. who admit to occasionally buying items with the pre-planned notion of returning them later. Customers may purchase an item for short-term use, only to return it, or even falsely claim it was never delivered. While fraudulent returns are not the main reason for returns, they are not uncommon and inflate return rates.

Market share is not easy to evaluate and should not be reviewed in isolation. The industry and category are, of course, very important (would you rather be a small fish in a large pond or a big fish in a small pond?), but historical data plays a large role.

Ecommerce Returns per Category

Source : Statista



It isn't uncommon for products with a large market share on Amazon to slowly decline. These products were typically introduced over a decade ago, accumulated a long sales history, thousands of reviews, and stayed at the top of their categories for years. New competitors entering the market, sometimes with a better value proposition, can challenge these market leaders and erode their market share over time.

Conversely, some sellers adopt a very aggressive approach during product launches, selling their product at a loss. The low prices and high sales velocity help them quickly gain market share. But once they try to become profitable and increase prices, sales velocity and rankings decline, and they experience a drop in their market share figures.

GROSS MARGIN, COGS AND FULFILLMENT FEES

One of the most important tips I have for new ecommerce entrepreneurs is to have a good understanding of basic finance and know their cost structures well. It is no surprise that gross profit margin, COGS (Cost of Goods Sold), and Fulfillment Fees are often discussed in ecommerce benchmarks.

Again, the differences between industries are significant. The gross margin is also heavily influenced by the business model. A company manufacturing and designing its own products tends to have a better gross margin than a distributor acting as a middleman. A business selling private labeled products will generally have a better gross margin than someone doing dropshipping. The risk and initial investment vary between each business model. Gross margin benchmarks are a very useful indicator, but a good gross margin/low COGS does not necessarily mean the company will be profitable.

Fulfillment fees and COGS are only part of a company's cost structure, along with overhead costs, advertising, storage fees, etc. When looking at financial reports and data on cost structures, I like to look at current numbers but also at the potential for improvement. If a company sells coffee makers and pays alarmingly high fulfillment fees as a percentage of the sale price, there isn't much to do besides increasing the price or making the item smaller/lighter. However, if the business sells coffee pods, the customer may be interested in buying multiple units. Setting up multipacks for items customers tend to buy in bulk is a great way to drastically decrease fulfillment fees and increase revenues.



INVENTORY PERFORMANCE INDEX

I'd like to end this article with a quick note on the Inventory Performance Index (IPI). This metric, often included in performance benchmarks, is, in my opinion, poorly understood by professionals with little experience with Amazon. The IPI is a metric used by Amazon to evaluate the efficiency and effectiveness of how sellers manage their inventory on the Amazon marketplace. The IPI is scored on a scale from 0 to 1000. Amazon sets a minimum threshold score (which can vary), and sellers must maintain their score above this threshold to avoid penalties.

It is, of course, very important for sellers using FBA to maintain their IPI above the required threshold. Not doing so can cause storage limitations and other penalties, impacting the ability to stock and sell products on the marketplace. However, I would argue that more is not always better, and maximizing the IPI can have negative consequences for a business. Very high inventory levels might boost your IPI but can increase storage costs and the risk of unsold inventory. Holding too much inventory can negatively impact the company's ability to invest in other ventures, while increased storage fees directly affect profitability. That is why this metric should be optimized rather than maximized.

CONCLUSION

As you can see, as much as ecommerce benchmarks are great tools and offer valuable insights, they demand a nuanced interpretation. Some metrics, like the ACOS or CR, may look straightforward but are heavily dependent on market trends, industry specifics, or product category. For others, such as Fulfillment Fees or COGS, I also like to consider the potential for improvement before forming an opinion on the business's future prospects. Finally, some metrics like IPI tend to have a negative return when they are too high, and the tricky part is to find the optimal value to maximize growth and profits.

<https://www.adbadger.com/blog/amazon-advertising-stats/>

<https://www.statista.com/topics/10716/e-commerce-returns-in-the-united-states/>



Amazon Lowering Their Fees!* (*Only Applies When Competing With Shein)

Did you know that consumers throw away an estimated 60% of clothes within a year of purchase? This is shocking to me, as I still own a T-shirt or two from my high school years. The fashion industry is responsible for about 10% of global carbon emissions, more than international flights and maritime shipping combined. Companies mass-producing a continuous flow of new, cheap designs like Shein have a disastrous impact on the environment.

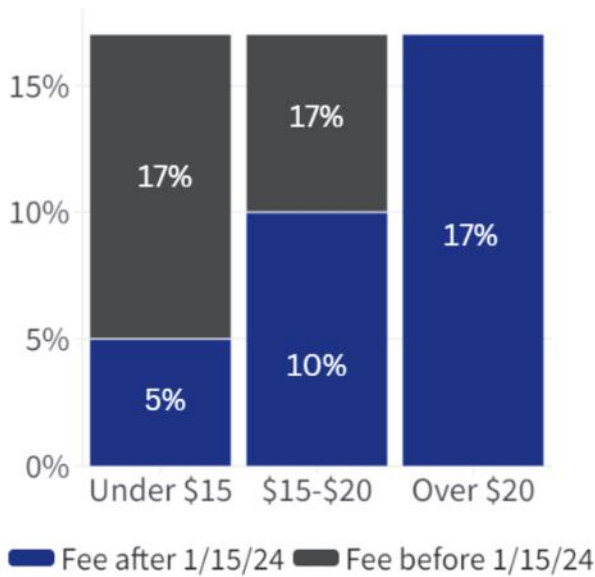
Some experts also claim that fast fashion has a negative impact on customers' mental health, leading to feelings of inadequacy if they don't regularly purchase new items, to impulsive buying decisions, followed by regret and guilt. We have all bought something online and regretted it weeks later, but the fast fashion industry takes it to the next level.

Besides consumers and the environment, established companies are also suffering from the recent dynamics of the industry. Notably, Amazon reacted with a surprising strategic move, a very strong signal that they want to be better positioned to compete with Shein.

AMAZON LOWERS FEES FOR LOW-PRICED CLOTHES

Shortly before the Shein IPO, Amazon announced they were going to reduce the fees they charge their 3rd party sellers on clothing products priced below \$15 to 5%. For items priced between \$15 to \$20, fees will drop to 10%. That is a massive improvement from the previous 17% they were charging. For items priced above \$20, prices will not change.

New Amazon Fees on Clothing



This is newsworthy, Amazon very rarely decreases fees for their sellers. The fees 3rd party sellers are paying to Amazon are such a large source of revenue that they must have very strong reasons to reduce them, even if only focusing on very specific items. It is very clear that this decision targets competitors in the fast fashion industry. These changes will go into effect January 15, 2024, once the holiday season is over.

WHAT DOES THAT MEAN FOR 3RD-PARTY SELLERS AND FOR SHOPPERS?

This new strategy will directly impact shoppers as well as 3rd party sellers. I am not qualified to analyze how a more favorable environment for fast fashion brands will influence customers' mental health and perception of environmental issues. However, I am certain that this will give them more options at lower price points. As of 2023, Amazon Prime has a total of 174.9 million users in the United States, and certainly many of them will enjoy free shipping and free returns on low-priced clothes.

The situation is darker for 3rd party sellers. A decrease in selling fees sounds like a great thing and immediate improvement of their bottom line. Unfortunately, the industry is so competitive that this will most likely trigger further price wars and lower prices.

	Before	After
Sale Price	\$12	\$10
COGS	\$2	\$2
Fees	\$2	\$0.5
Logistics	\$5	\$5
PPC Ads	\$2	\$2
Profit \$	\$1	\$0.5
Profit %	8%	5%

Example of how this could affect sellers

In this fictional example above, a company decides to lower their price from \$12 to \$10 to reach the 5% fee threshold and be more competitive. Their fees decrease by \$1.5, but every other expense remains the same. At the end of the day, the company will need to sell twice as many units as before to maintain their total net profit.

As you can see, a decrease in fees does not always mean a higher net margin for sellers. But again, this is just a fictional example and there is no way to accurately forecast how things will play out.

COLLATERAL DAMAGE OF THE AMAZON-SHEIN PRICE WAR

The intensifying competition from Shein and Temu in the fast fashion industry, and the attempts from Amazon to capture part of this market are significantly affecting established retailers like Etsy or Gap.

These companies are struggling to match the low prices and rapid production rates of the fast-fashion giants. It is also putting a lot of pressure on advertising costs.

This competitive pressure is forcing these traditional retailers to reevaluate and innovate their strategies, focusing on differentiating aspects like customer service, store experience, or unique marketing approaches to retain customer interest and market share. Competing on price can be a winning strategy, but in that case, established companies will need to provide value beyond pricing. That being said, with the ever-increasing cost of logistics, I wonder how ultra-low-cost clothing sellers will remain profitable. If large companies such as Amazon start charging for returns (yes I know, this sounds crazy), customers may return to retail stores to try clothes before purchasing.

CONCLUSION

Amazon's surprising but logical strategy to lower their fees for some clothing items will shake things up in the fast fashion game. It's a bold move to attract customers with lower prices and compete with Shein, but it also means sellers have to get creative to stay profitable in a market where prices keep dropping. This Amazon vs. Shein showdown isn't just about who sells more tees; it's reshaping the future of the fast fashion industry. With increasing costs and pressure on traditional retailers, we can expect continuous change in that space.

<https://www.pcmag.com/news/amazon-drops-seller-fees-on-inexpensive-clothing-to-compete-with-shein>
<https://www.fibre2fashion.com/industry-article/8736/fashion-waste-is-rubbish-yes-but-this-is-not-the-issue>
<https://capitaloneshopping.com/research/amazon-prime-statistics/>

HOLIDAY COUNTDOWN

HOW RETAILERS MANAGE CUSTOMERS EXPECTATION WHEN SHIPPING ORDERS



As we get closer to Christmas, many of us prefer to order our presents online and skip the long lines in grocery stores. I make the same mistake every year, waiting until the very last minute to start shopping. And every year, I ask myself the same question: Will my stuff be delivered before Christmas?

For businesses, the holiday season is often a very important time, and setting the right expectations for customers while maximizing sales is key. Let's take a look at how big retailers do it, what we can learn from them, and what the best practices are.

Each year, retailers adjust their strategies to cater to the holiday rush. This year is no different, with several big names laying out their plans early. Amazon, the e-commerce leader, has not set a concrete shipping deadline. They have a label on each product page that indicates whether the products will arrive before Christmas or not. This depends on the customer's location, whether the item is shipped by Amazon or the merchant, and where the item is currently stored. This is very important for customers, but also stressful for 3rd party sellers who don't want to miss out on sales.



PlayStation®5 Digital Edition (slim)

Nov 24, 2023 | by PlayStation

★★★★★ ∨ 22

PlayStation 5

10K+ bought in past month

\$449⁰⁰

FREE delivery Tue, Dec 19

Or fastest delivery Mon, Dec 18

Arrives before Christmas

Add to Cart

As you can expect, having this badge greatly improves your conversion rate for desirable Christmas presents.

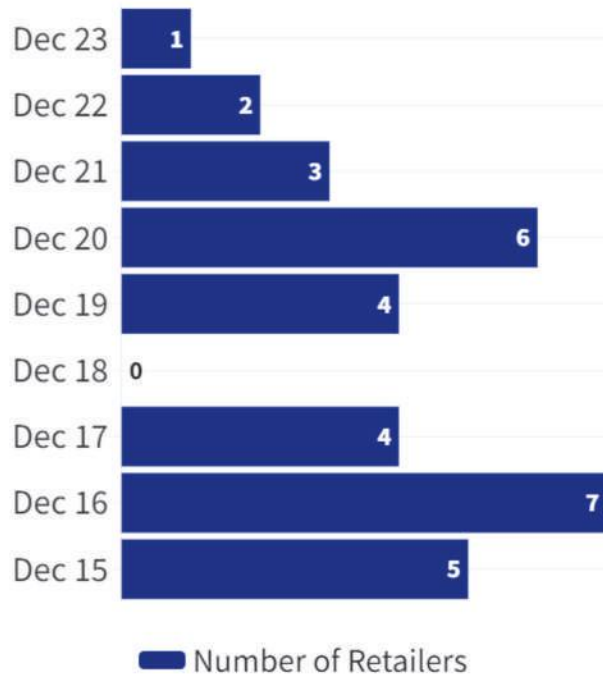
Similarly, Best Buy and Walmart have not announced official shipping deadlines, but both provide two-day shipping on many items. Estée Lauder and Kay Jewelers prominently display their shipping cut-off dates on their websites. For example, Kay Jewelers set one of the latest cut-off dates seen among major companies. Customers can, in theory, order up until the 23rd and still receive their order on time. Generally, it is very important to give customers clear expectations. Not doing so and shipping orders late can of course upset customers and damage the brand's reputation. But it also has an important financial cost. A retailer not clear on deadlines, or not meeting these deadlines, can face a customer service nightmare and pay high reverse logistics costs, especially if they pay for part of the returns.

To help with shipping delays, many retailers are pushing omnichannel solutions. Options like Buy Online Pick up In-Store (BOPIS) or curbside pickup are available. For example, Yankee Candle prominently advertised its BOPIS service, reflecting a broader trend among retailers to offer more flexible shopping options.

Carriers like USPS, UPS, and FedEx have also published their holiday schedules. USPS states that December 16 is the last day for ground service shipping. UPS and FedEx have similar deadlines, with services like UPS Three-Day Select and FedEx Ground having cut-off dates around mid-December.

Christmas Orders Cut-Off Dates (2021)

Source: 2021 Digital Commerce 360



Survey data suggests a large number of consumers start their holiday shopping well before the traditional peak. This shows how important it is for retailers to make it attractive to shop early. Doing so minimizes the return rate and limits the need for customer service reps during the peak season. Retailers can also offer alternative shipping options, with faster service.

An interesting strategy is the “Free Shipping Days”, which makes it attractive for budget-conscious shoppers, and makes it easier to forecast demand and limit the peak for sellers.

Navigating the holiday shipping season takes planning, awareness, and strategic thinking. Shoppers have high expectations and want to receive their orders on time. For online sellers, the key is finding the right balance between maximizing sales while minimizing the risk of getting a high rate of returns and upsetting customers.



<https://www.wcvb.com/article/holiday-shipping-deadline-2023/46028179#>

<https://androidpolice.com/holiday-shipping-deadlines-2023/>

2024 AMAZON FBA FEES CHANGES

WHAT YOU CAN EXPECT TO PAY NEXT YEAR

If you're selling on Amazon and plan to continue doing so next year, I advise you to stock up on aspirin. Amazon has announced changes to their fee structure, and it will become a lot more complicated to figure out your cost structures when selling on the marketplace.

Some fees will decrease, others will increase, and new fees will be introduced. While selling on Amazon in 2023 could be a little confusing for new entrepreneurs, I imagine that even veterans will need time to adjust to these new fee structures.

Let's go over the December 5th statement from Amazon explaining what changes will be made, and see who will see their expenses increase the most (and maybe the lucky ones who may pay less than in 2023). I will summarize the fees and try to make them as easy to understand as I can.

AMAZON FEES CHANGES IN 2024 EXPLAINED

In the first half of 2024 (exact date varies), Amazon will implement several changes in their fee structure. Essentially, outbound fees and storage fees will decrease, while Amazon will charge more for inbound shipments. Let's go over these fees first, then we'll talk about what it really means for sellers.

FEES THAT WILL DECREASE

Let's start with the good news. In addition to the referral fees decrease on low-cost items (see my previous article from this month), Amazon will reduce the non-peak (January-September) monthly storage fees for standard-size products by an average of \$0.09 per cubic foot, from an average of \$0.87 per cubic foot to \$0.78 per cubic foot. There will be no change for oversized items. This change will apply starting on 4/1/24.

Amazon 2024 Storage Fees

Source: Amazon



Cost per Cubic Foot

Amazon also states that they will decrease FBA fulfillment fees for standard-sized products by \$0.20 per unit and for oversized products by \$0.61 per unit. This change will apply starting 4/15/24. Amazon will also make changes in shipping tiers, adding more tiers to their pricing structure.

They will also offer a discount on fulfillment fees in the range of \$0.04 to \$1.32 for items that can be shipped in their existing packaging. This seems fair, as it minimizes packing materials costs. It is also good for the environment; some sellers may be encouraged to make sure they can enroll in the Ships in Product Packaging (SIPP) program. Sellers can expect to benefit from this discount starting 2/5/2024.

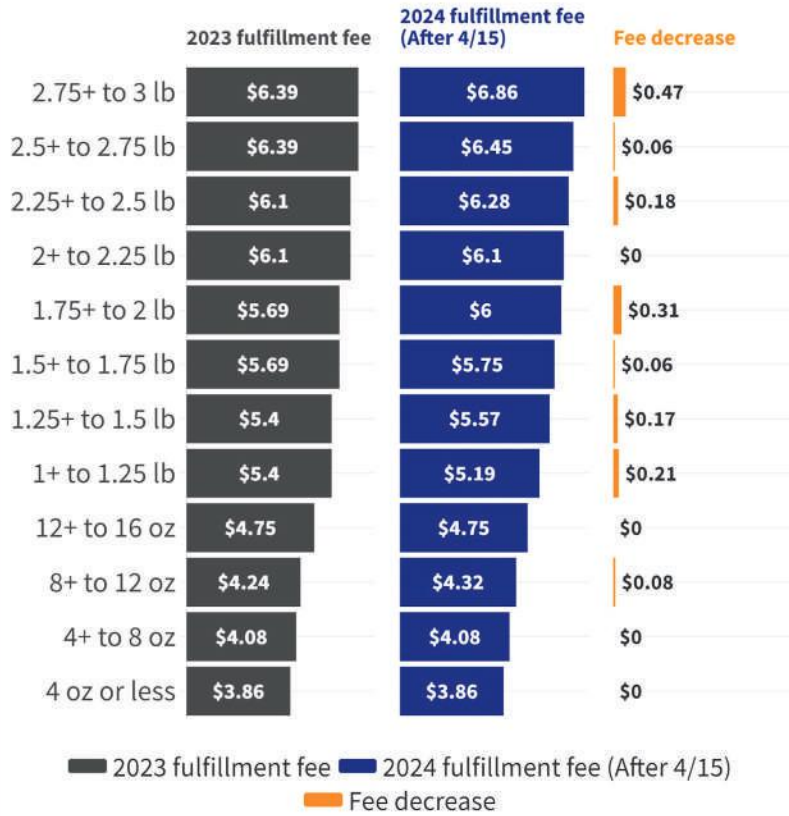
Amazon 2024 Fulfillment Fees - Small Standard

Source: Amazon



Amazon 2024 Fulfillment Fees - Large Standard

Source: Amazon



Finally, while not affecting shipping directly, Amazon changes their Vine program fee structure, charging less for smaller quantities of units enrolled.

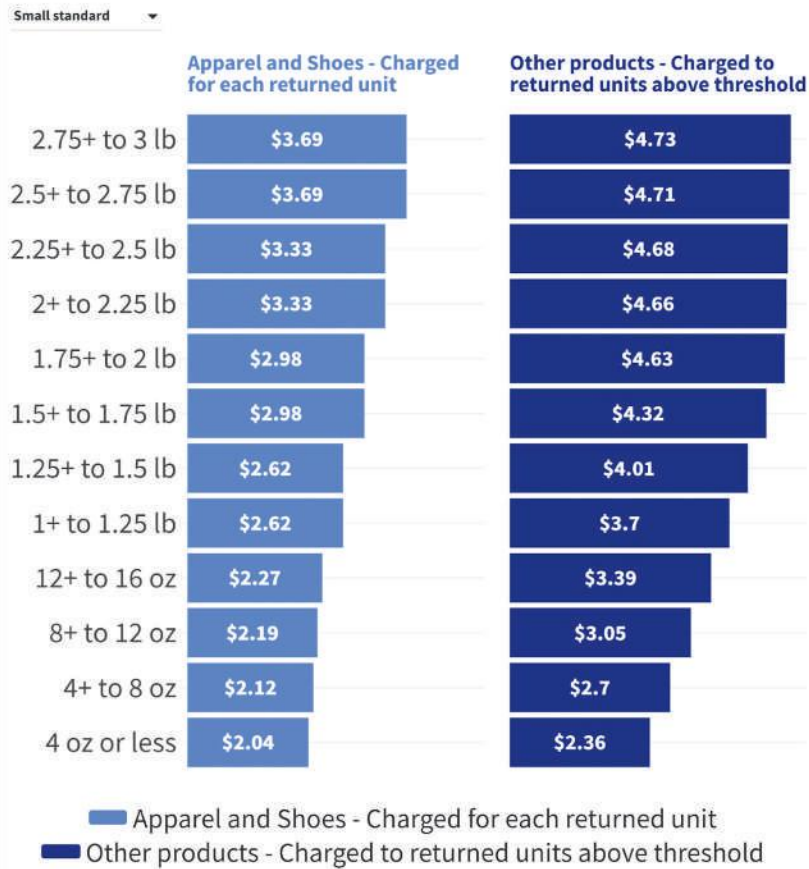
FEES THAT WILL INCREASE:

Amazon will expand the returns processing fee to apply to products with high return rates compared to other products in their categories, with the exception of apparel and shoes. It will apply starting 6/1/24. This fee starts at \$1.78 for the smallest items, up to \$4.73 for items under 3lbs. For the largest and heaviest items, this fee sharply increases, for example, \$157.35 for a 150 lbs item.



Amazon 2024 Return Fees - Large Standard

Source: Amazon



NEW FEES

In addition to these changes to existing fees, Amazon will introduce new fees, mostly regarding storage and inbound shipments.

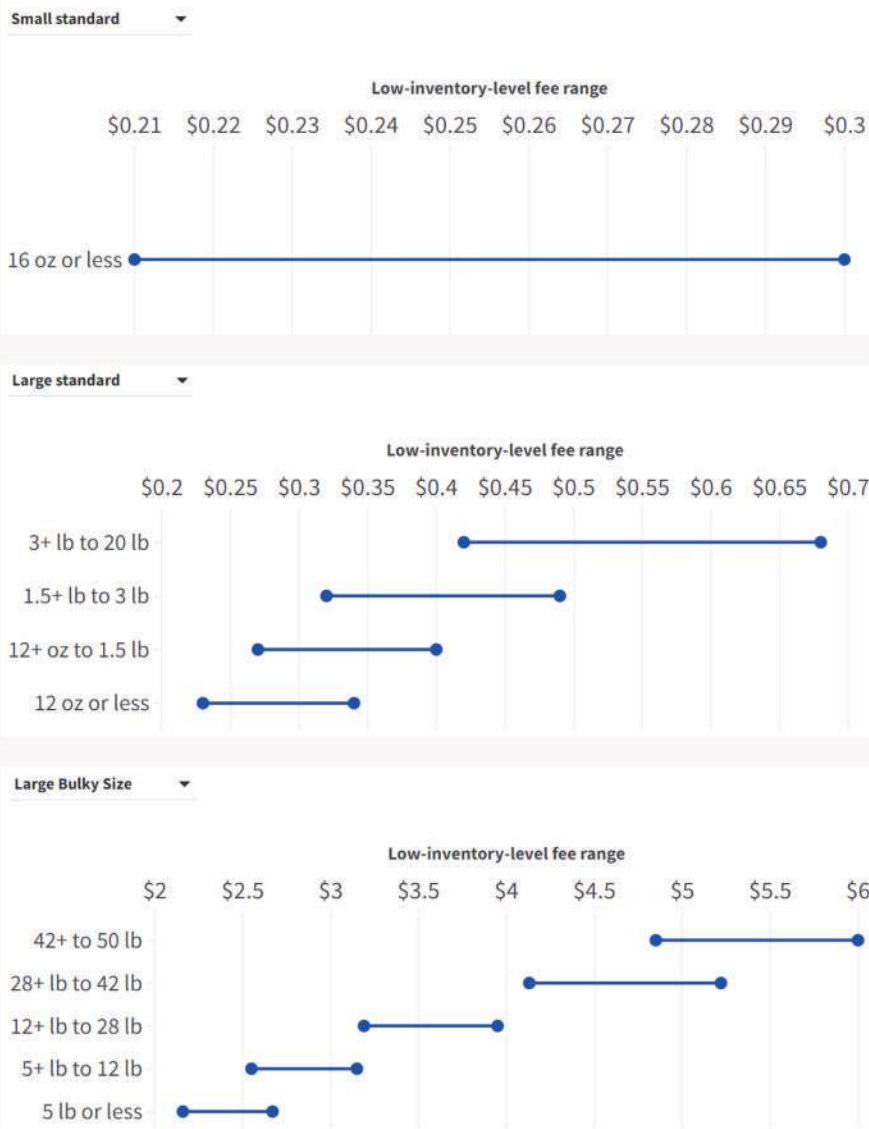
INBOUND SHIPMENT FEE

Customers love fast shipping, and to ship as fast as possible, Amazon dispatches inventory in their fulfillment centers (FCs) over multiple strategic locations. Shipping inventory to multiple FCs has a cost, and Amazon will pass part of that cost onto sellers using FBA. Sellers will now have the option to ship inventory to multiple FCs to avoid paying the new inbound placement service fee, or ship to one location and be charged an average of \$0.27 per unit for standard-sized products and \$1.58 per unit for Large Bulky-sized products.

These fees will be effective starting March 1, 2024, and the fees will be charged 45 days after products are received.

LOW INVENTORY FEE

Items with limited days of inventory are a challenge for Amazon, which claims it makes it difficult to manage to ensure fast shipping to customers. Amazon will introduce a new low-inventory-level fee for standard-sized products that have less than 28 days of inventory. The fee ranges from \$0.32 to \$1.11, depending on the product size and increases with days of inventory decrease. This will be, in my opinion, the most challenging new change for sellers. The full breakdown with examples is provided by Amazon on Seller Central.



THE IMPACT ON SELLERS USING FBA AND ON CUSTOMERS STORAGE

For those of you selling on Amazon, you know that few things are more terrifying than a key ASIN appearing out of stock. Not only are you missing out on sales, but organic rankings are tanking and climbing back can be difficult when the product is back in stock. However, overstocking can be expensive in storage fees and opportunity costs. Maintaining the optimal amount of inventory in Amazon FCs was already an important issue for sellers.

With the new low-inventory fee, sellers will have to adapt and in many cases, change their standard for how much inventory they want to carry at Amazon. When demand is steady, that should not be too difficult. Problems may arise when a product is highly seasonal, with low demand during most of the year and one or multiple spikes in the right seasons. But that isn't too bad, as experienced sellers know how to anticipate these variations in demand. The most difficult thing will be experimenting with product pricing or product creatives. If a price change experiment creates large variations in demand, sellers will have to adjust the quantities of inbound inventory to minimize these fees.

I can see some sellers benefiting from an overall decrease in storage fees, but many of them will start paying extra low-inventory fees. In my opinion, this change will be the most complex to navigate and companies will have a hard time estimating how much they will pay next year. I am hoping that measuring the cost of low inventory and tracking improvement will not be too difficult. That is certainly an opportunity for software companies designing tools for Amazon sellers, providing clear dashboards would be extremely helpful.

INBOUND AND OUTBOUND SHIPPING FEES

The price changes for outbound shipping are pretty straightforward. However, I think the key information is the new shipping tiers introduced by Amazon. Amazon used to charge \$5.40 for an item in the 1-1.5lbs range. Starting 4/15/24, they'll charge \$5.37 for an item in the 1.25-1.5 lbs range. That is only a \$0.03 decrease. However, if the item weighs between 1 and 1.25lbs, the fee drops to \$4.99, or \$0.41 in savings. Sometimes, sellers will be able to find ways to lower the weights of their product (for example, using lighter or less packaging) to save a little more on shipping, by moving to the lower new tier.

For inbound shipping, time will tell how much more this will cost for sellers. Will it make sense to pay the surcharge rather than shipping to multiple warehouses? I do not have the data to tell you which way will be more cost-effective. What I can tell is that monitoring these costs will be important, as it contributes to decreasing overall profitability.

RETURN RATES

I feel like I've said it a million times this year: customers love free returns, but reverse logistics is a major expense for online retailers.

Amazon has a very liberal return policy compared to other retailers but certainly understands that customer service and processing returns are expensive. I would not be surprised to see a new "customer service" fee in the next few years. But for now, Amazon has introduced a returns processing fee for high return rate products compared to other products in their category.

This should encourage sellers to improve their product and listing qualities to minimize customer returns. Misleading images will continue to generate negative reviews for those using them, but will now cut into these sellers' bottom line.

The full explanation of this returns processing fee can be found on Seller Central, including how it will be calculated. Again, I am afraid that these fees will be difficult to measure and monitor by sellers, making the selling experience more confusing. However, it is generally important for sellers to maintain a low return rate and ensure customer satisfaction. The return rate threshold for each category will be announced by Amazon on May 1, 2024.

CONCLUSION

A good understanding of cost structures, revenue, and expenses is key for businesses to succeed. Selling on Amazon is no exception, and understanding how the platform changes can be challenging. I will personally analyze how the recently announced changes for 2024 will impact the e-commerce department I am managing, and I recommend other entrepreneurs do the same. The documentation on Seller Central may be intimidating, but it is a necessary read to figure out how to limit the cost increase as much as possible. I hope this article could help you understand the basics, and how your business will be impacted.

<https://sellingpartners.aboutamazon.com/update%20to%20us%20referral%20and%20fulfillment%20by%20amazon%20fees>



THE FALL OF ZULILY

And Why Shifting Customers Expectations Can Kill Once Booming Businesses

Back in December, several LinkedIn posts caught my eye: these were about Zulily laying off part of their workforce, updates by former employees. I have heard of the company and knew it was a significant player in the ecommerce space, but I did not know they were going through a rough time. My initial thought was that they were merely downsizing, like many other tech companies over the last couple of months. It was a few days after Christmas that I read the news about the company shutting down.

Why would such a company close their doors? A company shutting down is always a complex issue, but in Zulily's case, I can see that part of the problem comes from the evolution of the ecommerce landscape in the last few years, and customers' expectations. As Sergey Podlazav, a former employee, put it: "It's not one event that led to the fall of the company, it had to be a series of events." Let's try to figure out what happened to that company.

ZULILY'S HISTORY AND BUSINESS MODEL

Before we start, who is Zulily? Zulily is an American ecommerce company based in Seattle, and was established in 2009 by Mark Vadon and Darrell Cavens, former executives at Blue Nile. The company specialized in brand-name goods, and targeted mostly young mothers. Unlike traditional retailers, Zulily held no inventory, and chose instead to consolidate vendor-owned merchandise at its fulfillment centers or dropship directly to customers. Each day, Zulily offered different discounts, with sales typically lasting 72 hours. These discounts were an important part of their strategy, coupled with aggressive online advertising.

Zulily went live on January 27, 2010, initially focusing on children's apparel. In less than a year, it had become a cash-flow positive business. The company went public in November 2013, with 2.6 million active customers and \$331 million in revenue, valued at \$2.6 billion.

At this time, everything is going relatively well for the company, but growth begins to slow down. In August 2015, Liberty Interactive's QVC division acquired Zulily for \$2.4 billion. Zulily's business model initially relied heavily on flash sales, but in 2015, the company reduced these in response to customer feedback. Retaining customers was challenging, and despite an increase in revenue in early 2015, the growth was slower than in previous quarters. Zulily began holding some inventory in warehouses to shorten delivery times, but faced quality control issues, including defective and incorrect products.

By 2023, things went south for Zulily. Following a notable decline in revenue in 2022 and 2023, Qurate Retail sold Zulily to Regent, L.P. in May 2023. The company faced multiple layoffs and downsized its headquarters. In December 2023, Zulily laid off over 800 employees and announced a going out of business sale.

“

“It’s not one event that led to the fall of the company, it had to be a series of events.”

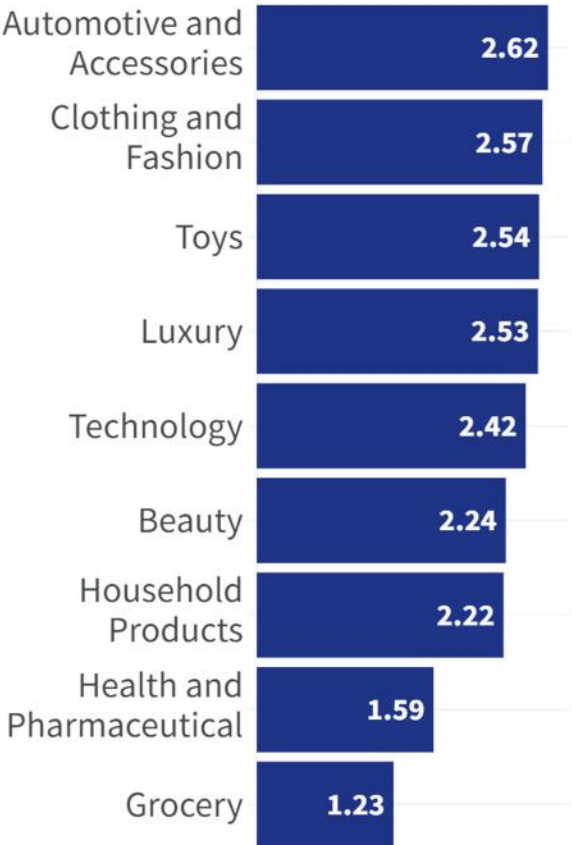
Sergey Podlazav, former employee at Zulily

WHY DID ZULILY FAIL?

If you've been in the industry for more than a few years, you know how fast companies can innovate and customers' expectations can change. Amazon significantly raised the bar for fast and free shipping. In 2023, waiting more than three days to receive their orders is unacceptable for many customers.

Expected Delivery Time per Product Category in Days

Source: Wunderman Thompson



The limitations of dropshipping did not help, as this model often lengthens delivery times, compared with traditional retail. When reading reviews on the company on TrustPilot, one of the most frequent complaints is slow shipping. Some customers report several weeks before receiving their orders.

If I made an impulse buy after seeing an ad for a flash sale, and had to wait 3 weeks to receive it, I wouldn't even remember what I ordered in the first place.

Zulily understood that they needed to get the products to the customers faster, and stored inventory in their warehouses. Unfortunately, other issues appeared and things did not improve fast enough. In a 2020 eMarketer study, free and fast shipping was the main reason customers bought from Amazon (79% of customers said it was important), trumping product selection (68%) or pricing (49%).

It's not all about fast shipping: the cost of shipping and returns also matters. For a long time, Zulily's shipping policy was another puzzle. Customers faced a somewhat convoluted system where the first order of the day incurred a shipping fee, but subsequent orders shipped free. This strategy intended to encourage multiple daily purchases, but I'd be surprised if many customers saw this offer as valuable.

Zulily's model was to offer frequent flash sales and advertise aggressively. However, this causes a few issues. The cost of advertising across all platforms has increased on the most relevant media for Zulily's, decreasing the return on investment. This is a problem, because the company heavily relied on these ads and struggled with retaining existing customers. I believe a low customer retention rate is a profitability killer for many companies.

I'm not saying flash sales are necessarily a bad thing. Flash sales create a sense of urgency and exclusivity, encouraging quick purchases. It initially attracts customers looking for deals and helps clear inventory quickly, reducing holding costs. However, Zulily struggled to maintain long-term loyalty. Customers were often inundated with too many deals, which caused decision fatigue. Additionally, the revenue growth slowed as the novelty of flash sales wore off, and the business model became less effective in a market where consumers valued consistent availability, faster shipping, and a broad product range. Loyalty was most likely higher on a platform like Amazon, where product discovery was easier, and availability was constant.

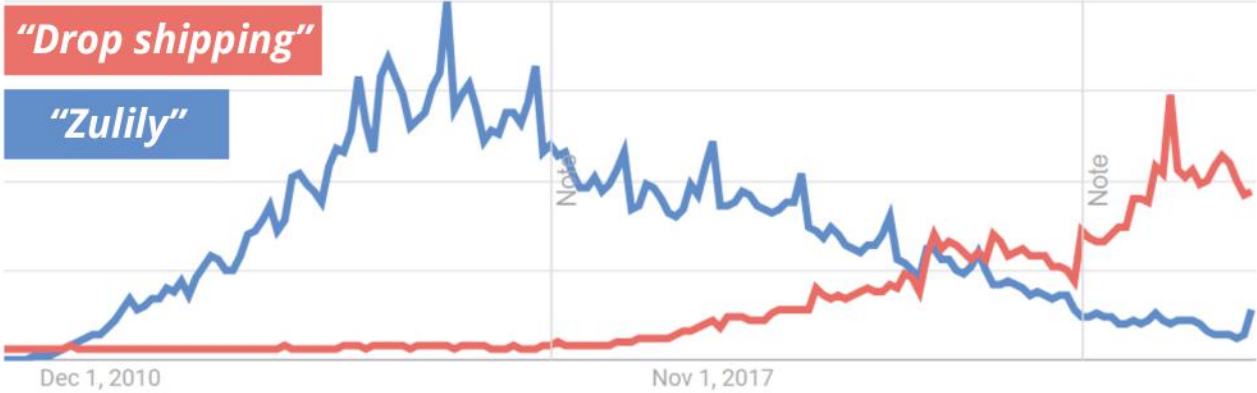
AN UNFAVORABLE BUSINESS ENVIRONMENT

The ecommerce environment became a lot more competitive in the last few years. As we saw in the section above, innovation created new customer expectations, which drove even more innovation from existing companies.

The market became tough, and strategies that worked in 2015 did not work anymore in 2023.

As dropshipping became more well-known, the market became saturated with dropshippers. This increased competition made it more difficult to find unique products and maintain profit margins, as many companies were selling similar or identical items. Barriers to entry were relatively low, and margins kept getting lower for dropshippers. Customers also became better at comparing prices and finding what they need at the best prices, thanks to new technologies.

Delivery times were of course an issue, and the COVID-19 pandemic strongly disrupted supply chains. These disruptions impacted the reliability and efficiency of dropshipping, resulting in lower customer retention rates. Now, dropshipping popularity peaked recently, well before Zulily decline, but in my opinion this only accelerated the decrease in revenues.



Google Trends Data

CONCLUSION

Zulily's decline is a very complex issue, but we went over some of the factors that contributed to it. I found several articles dating from 2015 about the acquisition of Zulily by Liberty highlighting some of the challenges the company had to deal with. With the fast paced ecommerce landscape, things did not improve for Zulily. The high customer expectations for fast and free shipping challenged Zulily's business model.

Their reliance on flash sales and aggressive advertising initially attracted customers but struggled with long-term loyalty and profitability due to high advertising costs and low customer retention rates. The competitive ecommerce environment and changing market dynamics, including the impact of COVID-19 on supply chains, seem to have impacted Zulily's operations. The end result was layoffs, and eventually the company going out of business.



TIKTOK SHOP INCREASES REFERRAL FEES WHO WILL LOSE THE MOST?

If you're selling on TikTok Shop, or if you consider doing it, you've probably heard the big news: Referral fees will increase from 2% to 8% per transaction. TikTok Shops will also cut some of the subsidies they previously offered. While some immediate reactions following the announcements were dramatic, with people claiming the death of TikTok Shop, I feel that most people still see the platform as a viable channel.

My opinion is that TikTok Shop is a unique channel, with a strong value proposition. The lower fees were a tactic to increase the number of sellers on the platform and grow the marketplace. However, it isn't for every business and some will be more impacted by the new fees than others. I also believe that the importance of the subsidies cut was downplayed, and will have significant consequences this year. Let's see how these fees compare with other marketplaces and what I think will be the consequences for businesses.

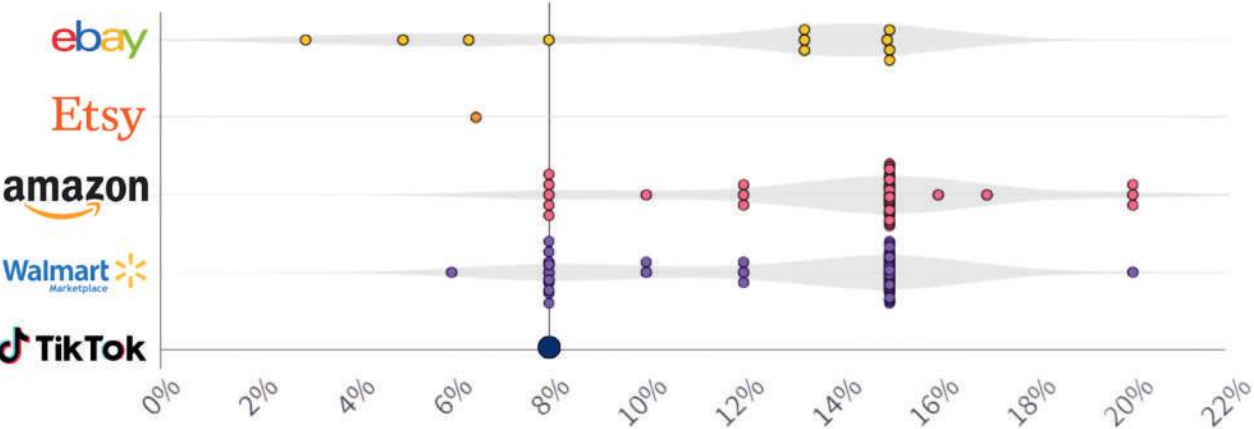
TIKTOK'S ANNOUNCEMENT AND HOW REFERRAL FEES COMPARE WITH OTHER MARKETPLACES

Let's start with the announcement, for those of you who may have missed the news. As you may know, TikTok Shop is working towards scaling its US business to a projected \$17.5 billion. The recent announcement from TikTok stated that starting July 2024, the fees will increase from the current 2% to 8%, with a temporary hike to 6% starting April 2024. This gradual increase aims to ease sellers into the new structure and reflects TikTok's strategy to align its fees with industry standards, ensuring value continues to be delivered to customers. TikTok Shop is expected to take substantial losses despite high consumer spending within the app. The fee increase is part of their plan to improve financial performance.

No one likes to hear about taxes increasing, I get it. But how bad is it really? Several sources reported that the newer fees are aligned with industry standards. I looked at referral fees across various platforms, and it seems like even with this hike, TikTok Shop is still quite competitive.

For most product categories, Amazon, Walmart, and eBay charge 15%. For others, the standard is 8% or 12%. In a few cases, and for Etsy, the fees can be at 6.5% or lower. But Amazon and Walmart charge 20% for some product categories.

Comparison of Category-Specific Referral Fees Across Leading Online Marketplaces



Referral fees for the initial pricing tiers within a category across various online marketplaces. It specifically Represents the lowest fee percentage within each category, applicable when certain sale price thresholds are not exceeded, excluding tiers specific to items priced under \$10. The data presented is gathered from the publicly available fee policies of the respective marketplaces as of the current year. For a detailed breakdown of fee structures, including higher tier pricing and category-specific nuances, please refer to the official fee policy documents provided by each marketplace.

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WHAT SELLERS WILL BE THE MOST IMPACTED?

To be fair, this fee increase was expected. It is typical for marketplaces to start with lower fees to attract sellers, then gradually increase fees over the years. The first obvious consequence for sellers is that their profit margin will decrease. The options for them will be to 1 – Have a sale price that is high enough that they can work with healthy profit margins, 2 – To ensure advertising costs and costs per conversion are low enough, or 3 – A combination of both.

Strong brands who can afford to sell their products at high prices will have an advantage.

Selling commodities and off-brand items will become more difficult to sell, as there are frequent price wars on marketplaces when the only differentiator versus other products is the price. When customers value other things than just low pricing and free shipping, brands will have a significant advantage. Conversely, to stay competitive when fees are increasing, companies will need to optimize their expenses and the cost of sales. This makes organic traffic a lot more valuable, rather than relying on paid ads or influencer marketing.

Essentially, a strong brand and value proposition is more important than ever, and a brand with an organic following will have an advantage over competitors that can't attract organic traffic.

TIKTOK SHOP'S CUTS IN SUBSIDIES WILL IMPACT MANY COMPANIES' STRATEGIES

Beyond referral fees, I believe the cut of shipping costs and deals subsidies was downplayed by several sources, but it will have a strong impact on sellers' strategy in 2024.

Heavily discounted shipping rates did not only help sellers' bottom lines, but it also encouraged experimentation with the channel. TikTok Shop is still relatively new. While some brands enjoyed success quite early on the platform, in industries like fashion or beauty, TikTok Shop is still exotic to many brands that sell on established channels like Amazon. Addressing a new channel is taking a risk, but reduced fees significantly decreased this risk. Brands were a lot more likely to generate a profit, and evaluate the potential for long-term success on TikTok Shop, once the fees are at a more normal rate.

I have a feeling that this announcement will discourage companies in more conservative industries from attempting to sell on TikTok Shops, as the risks will be higher. Everything is moving really fast, and there is no reliable benchmark yet on TikTok Shop.

Making the decision to sell on TikTok will become more difficult, but the first mover advantage can be real on marketplaces and social media. The data and experience those who joined TikTok Shop early gained will be valuable to make future decisions.

CONCLUSION

In conclusion, the recent changes in TikTok Shop's fee structure and the reduction of subsidies were expected by sellers, but still represent a major change. Data shows, however, that the increase in referral fees from 2% to 8% aligns TikTok Shop more closely with industry standards.

The transition may pose challenges, especially for new businesses or those selling lower-margin products. It is a good reason for brands to strengthen their value proposition and focus on building a solid organic following. Experimenting will become riskier with the increased referral and shipping fees, but I believe TikTok can still work for many businesses.





A FITTING ROOM IN THE POST OFFICE?

Why La Poste Latest Experiment Can Make Sense in Some Areas

I recently saw a news article about a surprising innovation in my home country: fitting rooms at the post office. What does fashion have to do with shipping packages? You guessed it, ecommerce returns. Why would I want to change and try on clothes in a post office?

Well, in some cases it could make sense. Beyond the unique aspect of this move, I thought it was a good reminder of why local specificities still matter in an ever more connected ecommerce world.

LA POSTE INNOVATIVE INITIATIVE

In an attempt to adapt to the growing trend of online shopping, La Poste, France's national postal service, is experimenting with fitting rooms in some of its Paris branches. This allows customers to try on clothes immediately after collecting them from the post office, saving shoppers time and reducing the need for return trips when items don't fit.

The fitting rooms, distinctively designed in the shape and canary yellow color of a French mailbox, are equipped with what you'd find in your favorite clothing store's fitting room: chairs, mirrors, and shelves for convenient on-the-spot returns. This experiment follows La Poste's observation that many customers would pick up parcels and return shortly because the items were unsuitable.

One of La Poste's current challenges is the declining letter traffic. Focusing on ecommerce is a way to generate revenue by improving the parcel business. By installing these fitting rooms, La Poste aims to simplify customer experiences, save their time, and potentially increase traffic to their branches. The initial phase of this experiment only involves a few select offices in Paris, but the company has plans to extend to other locations like Valenciennes, Saint-Etienne, and Amiens.

Finally, it is worth noting that this experiment has met with some resistance. The French Retailers Association, representing around 450,000 small shops, expressed concerns over the potential impact on local businesses.

They fear that making online shopping more convenient could divert customers away from brick-and-mortar stores, thereby affecting local economies.

THE IMPORTANCE OF LOCAL SPECIFICITIES

I currently live in Dallas, Texas, and I don't see the USPS putting fitting rooms in their offices anytime soon, nor do I see customers needing this service. However, this makes more sense in a place like Paris.

Picture this: you live in Paris and order a large coat and a few pairs of pants. After picking up the package at the post office (due to many thieves in your apartment building), you walk home or ride the public transportation carrying your bulky items. (Few people own a car in Paris, as traffic and parking are a nightmare.) This isn't your lucky day, and none of the items you received fit. If you decide to return them, you'll have to carry all of your stuff again to the post office. This would not be a huge hassle for me in Texas. In Dallas, I am used to safely receiving packages by my front door and driving everywhere. But I can see why people would rather try the clothes in the post office in a place like Paris.

Of course, these personal transportation constraints make it more difficult for people living in big French cities to order multiple sizes and return what does not fit. But there are other issues impacting consumer behavior. For example, while the median income is significantly higher in the US than in France, the cost of clothing is more expensive in France.

As a result, we can imagine that each purchase is a bigger deal for consumers, and customers have higher standards for their purchases, making trying on clothes more important. The fashion culture may also play a part, with French customers putting a higher value on finding the right fit for their clothes.

Price of Popular Clothing Items
 Source: france-hotel-guide.com



As a result, we can imagine that each purchase is a bigger deal for consumers, and customers have higher standards for their purchases, making trying on clothes more important. The fashion culture may also play a part, with French customers putting a higher value on finding the right fit for their clothes.

CONCLUSION

La Poste’s fitting room initiative in Paris cleverly addresses the unique challenges of urban online shopping, considering practical, local solutions. While such an innovation might seem unnecessary in car-friendly, suburban settings, it makes a lot more sense in a densely populated, public transit-oriented city like Paris. This strategy also highlights the importance of understanding diverse consumer needs in the evolving world of ecommerce. Will it revolutionize the industry? I don’t believe it. But I am personally curious to see if consumers will actually use these fitting rooms and if it brings new business to La Poste.



TEMU OPENS TO US AND EUROPEAN SELLERS

EXTRA REVENUES OR MAJOR HEADACHES?

Have you found yourself needing a toaster-shaped desk lamp? How about a \$1.28 keychain stapler? Or a 200-pack of men's ankle socks? If so, I've got you covered. Temu has it all, and quickly became one of the most downloaded shopping apps in the US, offering millions of relatively inexpensive products shipped directly from China, targeting low-income Americans.

In recent news, Temu announced they would open their marketplace to US and European sellers. While this sounds like an obvious way to expand their operation, this information surprised me and made me wonder about Temu's long-term strategy. Will they still pursue low-cost items, or are they attempting to diversify their offer?

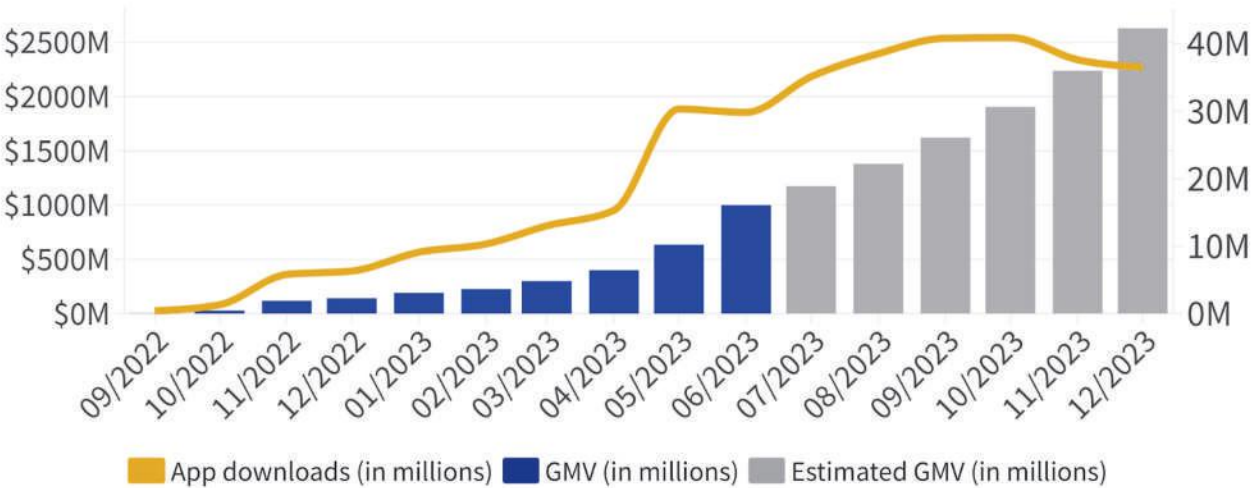
TEMU'S CURRENT MODEL AND IMPRESSIVE GROWTH

Unless you live under a rock, you've heard of Temu, or at least its annoying ad "Shop like a Billionaire". Temu, operating under PDD Holdings, has emerged as a major player in the US and global e-commerce space. Its growth is especially impressive, with over 100 million active users in the US since its launch in September 2022.

The platform initially focused on selling a very diverse range of products, from clothing to electronics, primarily sourced from Chinese manufacturers, at ultra-low prices. They also aimed to add many unique items not currently sold on Amazon. This pricing strategy has been important in its fast rise in the US market: Temu's GMV grew from \$3 million to over a billion dollars in a short span.

Global App Download and GMV - Temu

Sources : Statista, YipitData



Temu's initial business model was a fully-managed marketplace approach. Sellers would send goods in bulk to Temu's warehouses in China, where the company would take over the tasks of listing, marketing, fulfillment, customer service, and pricing. This model allowed Temu to maintain control over the supply chain and product pricing, which is key to its strategy. According to Marketplace Pulse, Temu has allegedly more than 100,000 merchants based in China selling their goods on the platform. Temu recently announced that they would open to US and European sellers.

WHAT DOES EXPANDING TO US AND EUROPEAN SELLERS MEAN FOR TEMU

A Temu spokesperson recently confirmed the company's plans of opening to US and European sellers. A major difference will be that Temu will not handle pricing or marketing for sellers, and they won't have to ship their products to the warehouses in China but handle fulfillment from their local warehouses.

This will give sellers a lot more freedom while allowing faster shipping to US and European consumers. For businesses, this will be more similar to what they can do with Amazon. However, it comes with its challenges, with no FBA-like program available for those without a 3PL partnership in place or with their own warehouses. But in my opinion, this announcement brings up another, much bigger challenge.

It was reported that Chinese manufacturers selling to Temu are operating on very thin margins, and the Chinese giant puts a lot of pressure on suppliers to keep prices low. In addition to the low COGS, according to Wired, Temu loses about \$30 for every order placed. Chinese news site 36kr suggests the company currently loses about 30 to 35 percent on every US order. That is the secret recipe to offer customers \$2 cat socks with free delivery from across the world.

Customers go to Temu to find these inexpensive items, and for many, shopping on the website feels like a treasure hunt for stuff they didn't know they needed. But US and European sellers probably won't sell at a \$30 loss per order. If they have higher COGS and have to pay for shipping to the customers (while paying fees Temu may require), they won't be able to offer the same ultra-low prices. Opening to US and European sellers conflicts with Temu's core value proposition for consumers. If Temu wants popular brand names on their platform, it could turn the shopping experience into a confusing Amazon-Wish mix. Other Chinese platforms, like Shein or Aliexpress, attempted to attract US sellers, but were not as successful as expected.

I believe that profitability will become a challenge for Temu at some point, but doing so while matching customers' expectations when it comes to logistics and pricing will be a major challenge, especially when competing with Amazon or Walmart. Amazon has its own challenges, but the US giant has many solid brands selling through their marketplace, and an impressive logistic network in place.

CONCLUSION

Temu's decision to open its marketplace to US and European sellers marks a significant shift in its strategy that could redefine its core value proposition and its position in the e-commerce world. This would push the company away from its original model of offering ultra-low-priced products from Chinese manufacturers, and offer more diverse products, including brand names. While this expansion offers greater diversity of products and potentially faster shipping for US and European consumers, it raises the question of how Temu will reach profitability and effectively compete with established U.S. titans.



ANECDOTAL DATA ON AMAZON PRICING AND MARKET SATURATION

Is Amazon saturated? I don't have the answer, but I do have some interesting anecdotal data (and some good news if you're in the market for a massage gun).

I looked at a random product, massage guns. First, the evolution of the sale price for the current top 5 massage guns on Amazon. Most launched in 2020 (the first few months of data isn't always available).

Evolution of Sale Price for the Top Five Bestselling Massage Guns on Amazon.com
 Prices are indexed to 100 based on the first available pricing data (★)



The chart shows a rolling 30-day average of the estimated daily sales for each product. The products included are the top five in terms of estimated monthly sales for the keyword "Massage Gun" as of January 23, 2024. The data reflects the estimated monthly sales in USD for the most popular variation of each product and is not based on sales rank.

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A few years after launch, the top products now sell for 90 to 37% of their original price – 63% on average.

They might have used a skimming pricing strategy, but that is still a massive cut! Did they have to cut prices to remain competitive?

The second chart is where things get spicy. It shows the market indeed got more competitive.

From only a few listings in 2019, there are now hundreds of massage guns listed on Amazon.

Average Current Sale Price of Massage Guns Released Before Date on Amazon.com And Number of Listings for the Keyword "Massage Gun"



Sale price as of 1/23/24 on Amazon.com.
Based on the top 200 listings for the keyword "Massage gun"

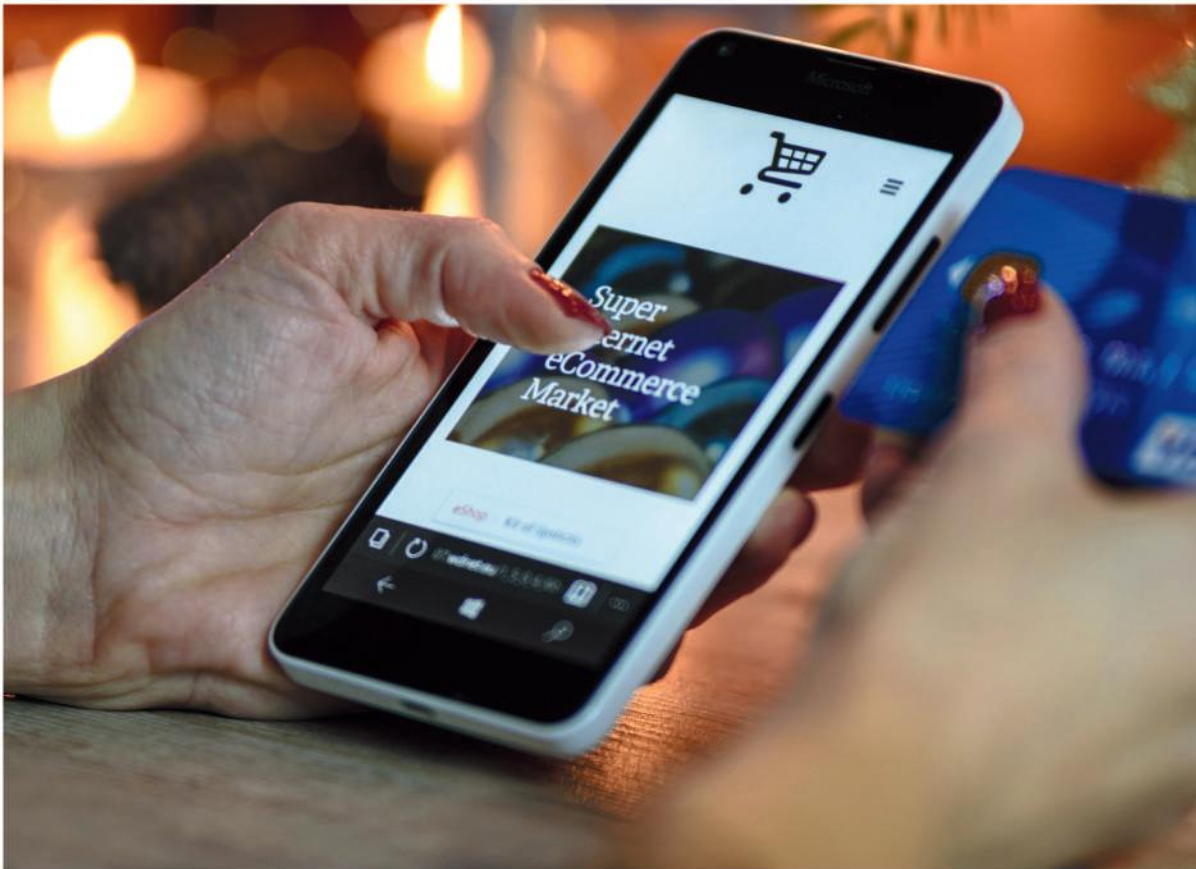
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The other interesting data is that the earlier the product launched, the higher the price tends to be. In January 2014, products launched before 2020 are still sold for \$100 or more, while the average sale price for the top 200 listings is \$92. There is a good chance that new sellers had to enter this market with lower prices to become competitive. I am not an expert on this market, but this might be the case of a product that was once innovative and became commoditized (except for maybe the strongest brands that can afford to charge more).

So, what's the takeaway from all of this?

Well, there isn't much more to say. This data is a lot more meaningful if you operate in the massage gun market. But this is only a small snapshot of a very specific market (and doesn't tell us about operating profits), and we'd need a lot more data to reach a conclusion on market saturation and price wars.

So why do I share these findings? I still think Amazon is a great opportunity for many brands, but success is becoming more difficult over time. This anecdotal data reinforces my opinion that a strong brand and value proposition are key for long-term growth.



RUFUS UNLEASHED

Amazon's New AI Assistant and What It Means for Your Business

In the last couple of months, we've been hearing about AI all day, every day. Everyone and everything claims to be using AI these days. Marketing tools, dating assistants, deep fake scams, you name it. I think no one was surprised to hear about Rufus, the latest generative AI-powered shopping assistant, recently introduced by Amazon.

My first reaction to this announcement wasn't how this would help me as a consumer, but how this would impact my work as a marketer. We are still in the very early stages of this adventure, but we can already do some guesswork. Let's quickly review the announcement, then try to imagine what the implications are for the millions of businesses selling on Amazon.

WHO IS RUFUS?

First thing first, who is Rufus? Rufus is Amazon's new shopping assistant that uses generative AI to enhance customers' online shopping experience. It can provide personalized assistance directly within its mobile app and can handle a wide range of customer inquiries.

This tool was trained on Amazon's extensive product catalog, customer reviews, community Q&As, and information from across the web. It can help customers with broad product research, at the start of their product discovery journey. For instance, a customer interested in running shoes may ask Rufus "what to consider when buying running shoes?" or "what are the differences between trail and road running shoes?". Once the customer knows what to look for, they may ask more specific questions and recommendations, such as "What are the best train running shoes for a beginner?".

Rufus will also help answer more specific questions related to a product, that we can assume uses information found within Amazon's product reviews, like "are these durable?" Rufus offers tailored advice and product suggestions to users, to make the shopping process easier and more convenient. Will the buying process feel "artificial" compared to reading reviews? Only experience will tell.

Launched only in beta to a select group of U.S. customers, Amazon plans a gradual rollout of Rufus to more users in the coming weeks.

Amazon's CEO, Andy Jassy, stated that Rufus is a significant improvement in customer experience and will simplify product discovery and selection through a more intuitive and conversational interface.

Rufus is part of Amazon's broader customer-centric strategy to integrate generative AI technology within its services. It represents just one aspect of the e-commerce giant's ongoing investment in AI, which includes a wide range of tools and services aimed at both consumers and businesses. From AI-generated review summaries to assistance for third-party sellers in creating listings or logistics optimization, Amazon heavily invested in AI in the last two decades.

Even more than trying it myself, I am excited to hear what customers think, how the shopping experience will change, and how big Rufus will be in Amazon's ecosystem.

WHAT ARE THE POTENTIAL CONSEQUENCES OF RUFUS FOR AMAZON SELLERS?

Now that we know what Rufus is, the goal for sellers is obvious: having their product recommended by Rufus as often as possible.

Rufus isn't a superhuman who has ordered and tried every product sold on Amazon; it uses data from Amazon to help customers make purchasing decisions.

This includes product data, reviews, Q&A, UGC, and more. I believe having the most “Rufus-optimized” content will be key for sellers if it happens that a significant part of Amazon traffic will come from AI in the future.

Basic sections like product title, bullet points, and everything customers can see will matter, but also the backend with keywords now having even more importance than ever.

I’ve always said that product reviews, including on your competitors’ products, are a goldmine of information on customer attributes, behavior, and on the market.



Ultimately, following Amazon’s announcement, I believe sellers must do three things:

- 1** Monitor the adoption of Rufus by customers, and try it themselves to see how it works and what the experience is like.
- 2** Read industry reports on what the best practices are, which brands will learn with experience.
- 3** If experience shows it is necessary, optimize their listings to be more Rufus-friendly.

CONCLUSION

Amazon’s Rufus, one of the giant’s latest developments in AI, could be a game-changer, both for consumers and marketers. Rufus is Amazon’s attempt to make shopping more personalized, intuitive, and convenient. For sellers, it may be a wake-up call to get our product listings Rufus-ready.

I bet that Rufus will also heavily use these reviews to provide recommendations. Rich, positive reviews should, of course, help products be recommended to customers.

There is a fine line between black hat tactics (such as incentivizing customers to post 5-star reviews) and what is allowed by Amazon, but sellers must do whatever they can to get the best rating. This isn’t new, rating always mattered on Amazon. What I think is new is the importance of the review content. Having specific keywords in reviews will be a lot more important than in the past. For example, if many customers ask Rufus “What are some easy to clean running shoes?”, the keyword “easy to clean” will become more important.

This means nailing the product details and keywords but also focusing on gathering genuine, helpful customer reviews. It’s all about making sure Rufus picks our products to recommend to shoppers. The journey with Rufus is just starting. It is still early to tell how impactful it will be, but it will be interesting to see how customers react to this new feature.

<https://www.aboutamazon.com/news/retail/amazon-rufus>

FORGET GEN Z

WHY BOOMERS ARE OBSESSED WITH SHOPPING ON TEMU

When I first heard about Temu, my knee-jerk reaction was to think it would be a Shein for random items, from kitchenware to toys. I also thought the target audience would be similar, Gen Z, especially after I saw some young influencers showing off their “Temu hauls” on TikTok.

Recent reports proved me wrong: Boomers placed on average 5.6 orders last year on Temu, while Gen Z only ordered 2.6 times.

Average Orders Placed on Temu in 2023 per Generation



Source: Attain

There have been multiple theories going around on why Temu is so popular with the older generation. Some people mention the gamification and the discounts offered by some roulette wheels that are particularly appealing.

Others mentioned the need to buy cheap gifts for grandkids, the ease of navigation, or the fact that Boomers tend to have more storage space in their homes. Some experts also say that older customers are less attached to name brands than their kids, and are okay with cheaper Temu’s items as long as the quality is there.

An interesting Business Insider article features several answers from Temu's customers, explaining why they use it, and some answers were surprising, but made sense to me.

Was it part of Temu's strategy to be so popular with Boomers? I don't know. But the Chinese company will need to use all the data they have and understand the "Why?" if they want to keep growing and become profitable.

Factors like gamification may be helpful in retaining older customers (although there is no evidence that this is the case), but many younger consumers report this impacts their shopping experience negatively. Temu may need to make some tough decisions in the future. But the main problem is pricing: If pricing is the main driver of consumer engagement, over variety, quality, speed of delivery, or any other factor, it might become difficult for Temu to become profitable and keep expanding in Europe and in the US.



“My father used to have a kitchen drawer full of knickknacks or some junk he'd find from a TV commercial (As Seen On TV commercials). Temu brings back that nostalgia for me, plus I find items that genuinely make life a little easier.”

<https://www.businessinsider.com/why-gen-x-boomers-love-temu-2024-1>

Finally, let's keep in mind that there are a lot more than the average number of orders per year. We don't know about the trends over time, the average order value, or the cost per conversion.

Yet, the correlation between age and the orders placed seems clear and massive. I think this can be a very interesting case study for marketers, and a great learning experience.

WHAT IS THE “BEST DEAL” ON AMAZON?

MY TAKE ON THE RECENT “BUY NOW” LAWSUIT

Yes, I know, another lawsuit involving Amazon. But unlike many others' past lawsuits, I struggle to see what Amazon is doing wrong. The complaint accuses Amazon of setting up the “Buy Now” button so users pay more than they should. Let's see what this lawsuit is about, and why Amazon may be acting in most customers' best interest.

First, what exactly is the “Buy Now”? If you've never used it, the “Buy Now” button on Amazon streamlines the shopping experience by allowing customers to bypass the shopping cart and head straight to checkout. This feature uses pre-saved account details to strongly reduce friction and expedite the purchase process for quick and decisive transactions.

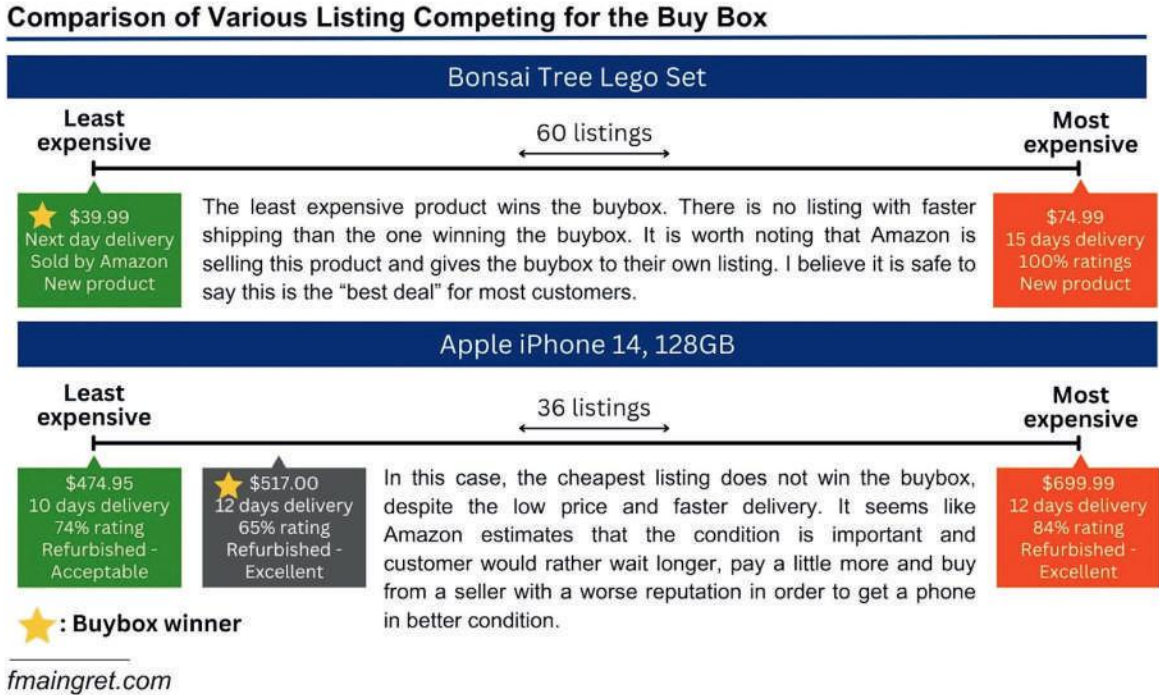
When an Amazon product has multiple sellers, an algorithm picks one seller to “win the Buy Box” and get the sale when the customer hits the “buy now” button. The lawsuit claims that 98% of Amazon's sales are from products in its Buy Box, but customers could potentially find better deals if they explored offers by other sellers.

This is where I disagree with the lawsuit. First, the section with other sellers isn't exactly hidden on the page. It is, in fact, right below the Buy Box on the desktop website.

Then, there is the idea that Amazon does not always show the customer the best deal. But what is the best deal? Is it necessarily the lowest price? I doubt most customers would rather save a few pennies but purchase from a seller with a bad reputation and with a three weeks delay for shipping. Pricing seems to be the main criteria for Buy Box attribution, but there is more than that: Amazon also considers the delivery timeframe, seller's performance, items' conditions, customer feedback, and more.

Does Amazon maximize their own net profit? Probably. But they don't just give the Buy Box to sellers that brings them the most money. Otherwise, the highest prices would win it, so referral fees paid would be higher.

While getting enough data to analyze the Buy Box attribution process would be difficult, I looked at two listings that I think are good examples of how Amazon shows what might be the best deal considering more than just pricing.



At the end of the day, each customer has a different view of what the best deal is. For everyday commodities or non-urgent items, customers may prefer lower prices over fast shipping. Conversely, for urgent needs or last-minute gifts, many customers are willing to pay more for faster delivery.

Maybe someday AI will analyze customers' buying patterns and show them a personalized option. But for now, I think the lawsuit is wrong by focusing only on pricing.

<https://qz.com/amazon-lawsuit-buy-box-now-add-to-cart-1851251133>



TARGET CONSIDERS A PAID MEMBERSHIP PROGRAM

What is it About and Should Ecommerce Professionals Care?

For some people, going to Target to buy a loaf of bread and returning with \$300 worth of clothes and home decor is a familiar scenario. The addiction to Target is real and might become more intense for some. Bloomberg reports that the company is considering offering a paid membership program as early as this year.

Should they launch it, this program would be another competitor for Amazon Prime, Walmart Plus, and Costco memberships. However, Target is late to the party, many years after its competitors. Would proceeding with the project make sense for the company, or would it be doomed to fail? Ultimately, should e-commerce entrepreneurs keep an eye on this program?

Let's first examine the existing offerings. The main perks of Amazon and Walmart+ are free shipping, with one-day or faster shipping by Amazon being one of the main reasons for its success. A Costco membership provides access to their stores. In addition, companies offer additional benefits such as flat tire repairs or access to streaming services.

Regarding pricing, memberships range from \$5 a month for Costco to about \$12 per month for Amazon Prime. Millions of consumers subscribe to these services. Although numbers vary by source, Amazon Prime leads with over 160 million members in the US.

Feature	Amazon Prime	Walmart+	CostCo Gold Star
Price	\$139 per year	\$98 per year	\$60 per year
Delivery	Free One-Day and Same-Day Shipping	Free shipping Free delivery from store (\$35 min)	N/A
Other benefits	Prime Video, Reading, Gaming and Amazon Music access	Fuel discounts Paramount+ Free flat tire repair Free road hazard warranty	Warehouse access Costco Fuel access Free household card Access to Costco services
Members	29 Million	160 Million	129 Million

What would a Target membership look like? There is no information available at this time, but we can imagine a program similar to Walmart+, with the company leveraging its network of retail stores and adding on their free membership program benefits, Circle.

The main benefit for Target would be recurring revenues. Memberships provide a consistent, predictable revenue stream. Fees from memberships contribute to the company's earnings, supporting operations and potentially reducing reliance on sales margins.

Membership programs encourage customer loyalty by offering exclusive benefits, discounts, or services. Members are more likely to continue shopping with the company to maximize the value of their membership, increasing customer retention. Customers paying an upfront fee are incentivized to make more purchases or use more services to justify their investment, which can lead to higher average spending per member compared to non-member customers. There are also several other benefits, such as data collection, community building, and upselling opportunities.

On the other hand, building such a program could be costly for Target. Implementing and maintaining a membership program involves significant operational expenses, including technology infrastructure for tracking and managing memberships, customer service support dedicated to members, and the logistics of fulfilling membership benefits such as free shipping or exclusive deals. Attracting new members and retaining existing ones requires continuous marketing efforts. The costs can include advertising, promotional offers (like discounts or free trials), and the development of new services or benefits to keep the membership attractive. There is the risk that not enough customers enroll in this paid program, and that Target could not offset the fixed costs involved.

With this information in mind, it is clear that Target could benefit from having such a program, if it were successful.

The market is competitive, with competitors offering very attractive deals. It's true that people can subscribe to several services at once (many households subscribe to Netflix, Disney+, Hulu, and a million other streaming services). However, in the case of retail stores, would it make sense to have two memberships that offer very similar benefits and products? Target would need to give customers a compelling reason to subscribe and come up with a very strong value proposition. Let's not forget that Target and Walmart have different customer bases with different needs, which gives the program potential for differentiation. In conclusion, while there are compelling reasons for Target to consider launching a paid membership program, this decision should be approached with a clear understanding of the potential challenges and costs involved.



But what about us, e-commerce entrepreneurs? Target launched its marketplace, Target+, in 2019. Unfortunately, the invite-only marketplace remains rather small. In 2023, it only had 650 sellers. This is a deliberate choice by Target's management, who wants to offer a more curated experience than Amazon. While Target is the 5th largest retail e-commerce company, industry sources report that most of their sales came from store-powered fulfillment, with the marketplace likely having a negligible contribution to Target's total e-commerce sales. Due to the size and strategy of their marketplace, I believe the potential paid membership program should not become a priority for brands, but entrepreneurs should keep this information in mind. Who knows, it could be a signal that Target is about to change their plans regarding their e-commerce strategy.

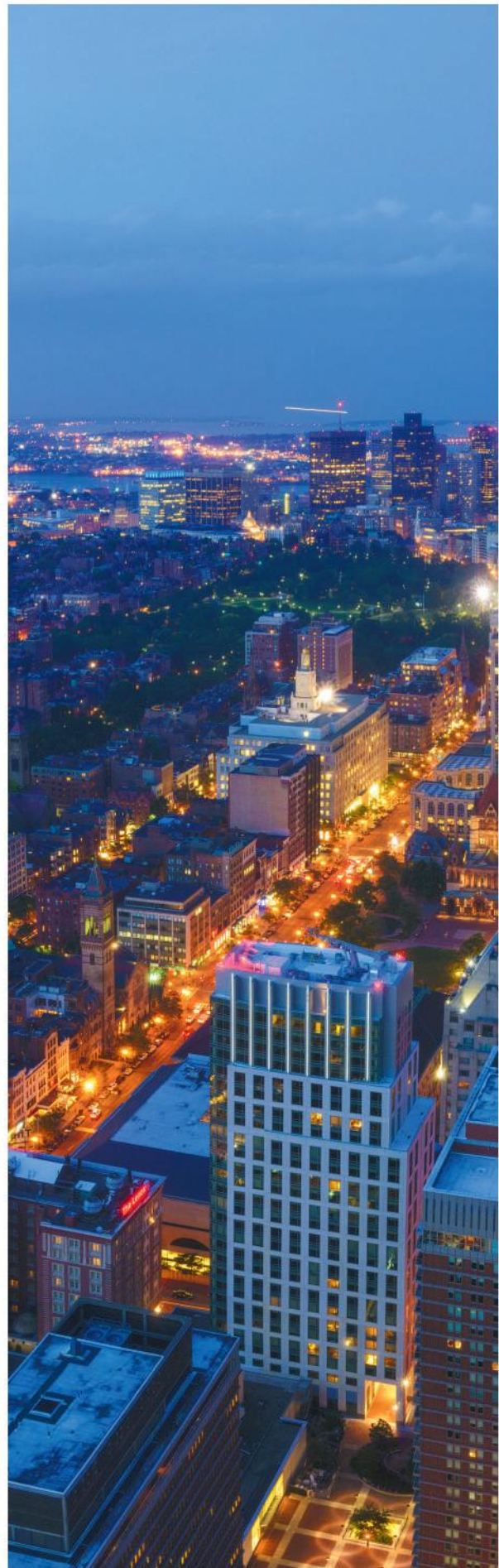
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<https://www.marketplacepulse.com/articles/targets-curated-marketplace-turns-four>



IS WALMART MARKETPLACE CATCHING UP ON AMAZON?

A SHORT CASE STUDY ON A SPECIFIC CATEGORY

If you missed the big news about Walmart this month, here it is: their earnings surpassed expectations, and the company hit a major ecommerce milestone with \$100 billion in sales last year.

This announcement prompted many ecommerce managers and executives (I certainly did) to reflect on their strategy regarding Walmart.com and if their plan was appropriate.

It is true that overlooking Walmart is easy these days. Amazon is still the king in the ecommerce realm, and flashy new entrants like Temu or Shein are being extremely aggressive in their marketing.

And Walmart is in this awkward space where its ecommerce operations are too big to be completely ignored, but too small to be a company's main focus (I get approached by Amazon agencies every day, but they very rarely mention Walmart).

I am guilty of this; my news commentary articles don't reflect the weight of Walmart in the industry, as I only wrote about the retail titan once or twice in the last few months.

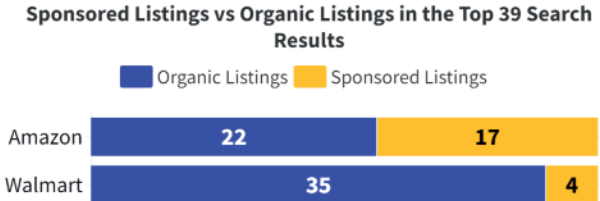
Yet, what I find the most impressive about Walmart isn't its sheer size in the ecommerce space; it is the velocity of its growth and its potential due to its existing infrastructure. I like telling this story of this conversation I had with a regular customer over the phone. I always assumed he bought from Amazon and was shocked when he told me he preferred ordering from Walmart because delivery is a day faster than Amazon in his area.

Today, I don't want to give you an overview of Walmart vs Amazon, compare their financials, future investments, or current strategies. I want us to put ourselves in the customer's shoes and compare what the shopping experience is like. I will focus on the products offered, pricing, and logistics. Then, I'll try to explain what potential differences could mean on a broader scale.

To do so, I will pretend I am shopping for shoe polish (I just ordered some from Amazon before starting writing this article, without even looking at Walmart or other sources). I'd love to review more data, compare many different niches and markets, but then I'd need to write a whole book that may be obsolete within months. So for now, let's focus on one product and see what we find. I specifically compared the top 39 products that appear in the search results when searching for "shoe polish". Sometimes, the differences between Amazon and Walmart can be so massive that I believe there is a good chance we can extrapolate this anecdotal piece of data to other categories..

AD SPACE : AMAZON DISPLAYS FOUR TIMES MORE ADS THAN WALMART

As a customer, the first thing you have to deal with searching for any item is often the crazy amount of search results: over 1000 for "shoe shine", on both Amazon and Walmart. On both platforms, search results are a mix of organic results and sponsored listings (meaning these may not be the most relevant results, but the brand is paying to advertise the product so it appears in the top of the search results).



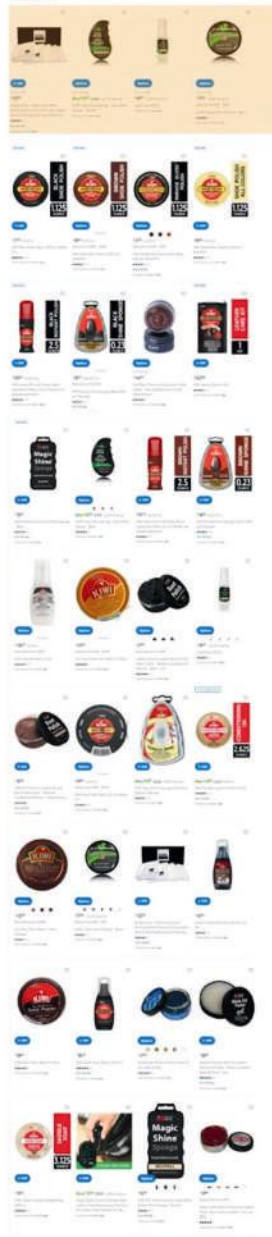
Amazon displays a lot more sponsored listings than Walmart, over 40% of listings compared to about 10% for Walmart. Here is what the search results look like on both platforms, to give you an idea of what the customer experience is like.

For those of you who have been shopping on Amazon for years, you may realize that the search results on Amazon contain a lot more sponsored products than in the past. Many sellers have the feeling Amazon became "pay-to-win" for new products, and advertising became a lot more strategic (and costly) over the years. Amazon's ad services revenue is bringing in more than \$14 billion in Q4 2023, making it an important source of revenues for them.

amazon



Walmart



SPONSORED LISTINGS

Amazon vs Walmart
Ads when searching for “Shoe polish”

On the customer’s side, this huge proportion of ads can be detrimental to the shopping experience, making it difficult for shoppers to find the most relevant products. The FTC has an eye on this trend; you can find a more detailed analysis here:

<https://fmaingret.com/2023/10/is-amazon-now-mostly-ads-how-the-recent-ftc-lawsuit-addresses-the-user-and-seller-experience/>

On the other hand, Walmart only features a few sponsored products at the top. As we’ll see in the rest of this article, the competition is not as intense on the Walmart marketplace, and CPC tends to be lower than on Amazon.

As Walmart ecommerce sales keep growing, should we expect more space dedicated to advertising? Probably. But I assume Walmart ecommerce leaders have an eye on what Amazon is doing, to come up with the best strategy. As of today, I believe Walmart’s smaller ad space is better for consumers, but it may not last forever.

PRICING : IS “EVERYDAY LOW PRICES” STILL TRUE WHEN SHOPPING ONLINE?

Walmart built its reputation on lower prices, which is the reason why the retail chain has so many loyal consumers. On the other hand, Amazon also tends to attract value-oriented customers. In the last few years, we’ve seen thousands of Asian manufacturers joining the Amazon marketplace, offering their items at reasonably low prices.

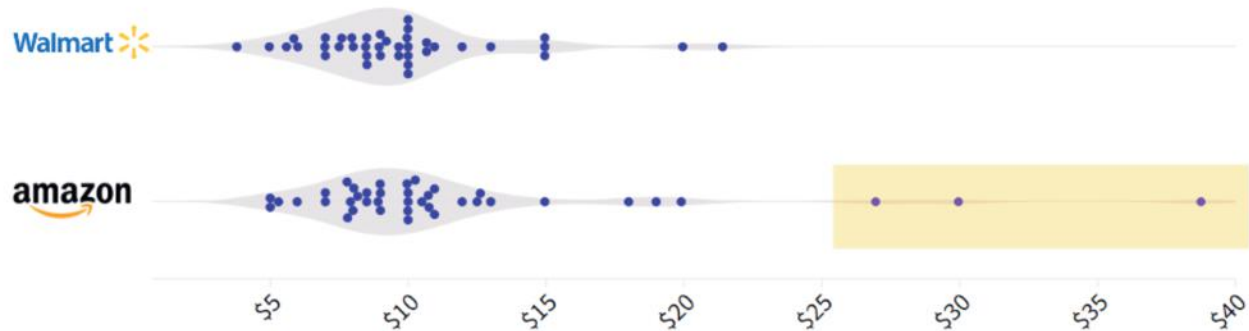
Amazon also became extremely competitive, with many niches at near saturation and many products commoditized, which drives prices down. So which platform has the cheapest items, and how large is the price difference in our case study?

Our first 39 search results for “shoe polish” on Amazon have an average selling price of \$11.68, compared to only \$9.76 on Walmart. Wow, that is quite the difference.

Is Walmart pushing low prices to match its value proposition? Or is the competitive environment on Walmart more intense, leading to price wars?

In reality, the median price tells us a different story: \$9.99 on Amazon versus \$9.20 on Walmart. The distribution of prices makes it obvious the outliers are skewing the average for Amazon.

Price Distribution for the First 39 Search Results



If we exclude the products over \$25, the average price for Amazon products drops to \$10.04, compared to \$9.76 on Walmart, or a difference of \$0.28. While this is only a very specific market, and 39 listings among millions, this suggests that the pricing difference between the two marketplaces, despite less competition on Walmart, could be rather small.

Sellers may be aligning their prices (Amazon often takes away the buybox from a seller listing its product at a lower price on another channel), but it is worth noting that both marketplaces have similar cost and fee structures.

LOGISTICS : IS AMAZON REALLY THE KING OF LOGISTICS?

In the age of Amazon Prime, waiting more than a day or two quickly became unacceptable for many customers. Only ultra-low-cost competitors like Temu or Shein are able to make their customers wait for a bit longer. But Amazon isn't the only company able to ship packages fast and efficiently. Walmart can leverage its size and its network of retail stores and warehouses to offer impressive performance when it comes to logistics. So who wins the logistics battle between the two giants?

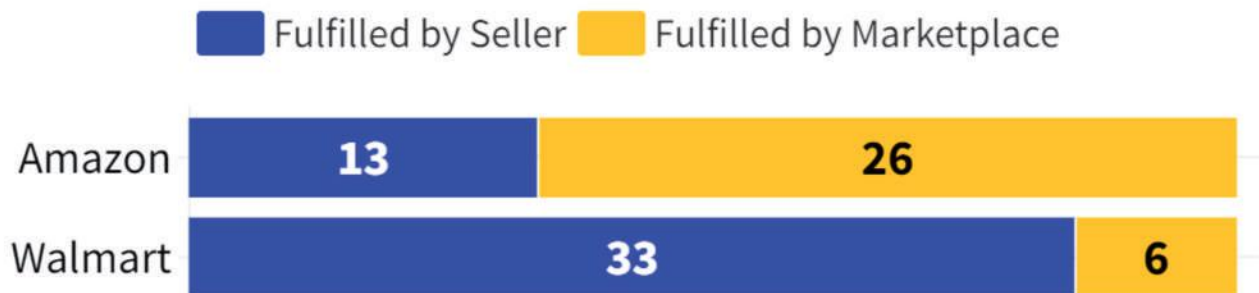
Listings Available for "Shoe Polish"



There are over 1000 listings available on each marketplace. However, the difference is shocking when looking at items available with next-day delivery: almost 500 listings on Amazon and only 8 for Walmart! (and these are products for leather car seats, not shoe polish).

I compared the delivery speed between an Amazon Prime account and a Walmart Plus account. Walmart Plus did not increase delivery speed while Prime makes a huge difference. But why does Amazon deliver so much faster?

Fulfillment Mode for the First 39 Listings



A first reason could be the fulfillment mode used by sellers. A lot more listings seem to be using FBA on Amazon, which drastically speeds up the shipping process. Other reasons are more complex.

It could be that Amazon's logistics networks outperform Walmart, that this specific product or my zip code do not represent the overall shipping time frames for both marketplaces, or that Walmart is more conservative when displaying delivery dates.

WHAT BRANDS ARE SELLING ON EACH MARKETPLACE?

Are the same brands selling on both marketplaces? Again, I looked at the first 39 search results, and while there is a lot of overlap, Amazon features 15 different brands in the first 39 listings compared to 10 for Walmart.

In my opinion, the reason why we see a larger variety of brands is due to Amazon dedicating more space to sponsored listings: it gives brands with little recognition more visibility. Some brands may have different strategies and decide not to address Walmart yet, but I believe this is less true than a few years ago.



PRODUCT REVIEWS MATTERS : WHERE CAN SHOPPERS FIND THE MOST REVIEWS?

Finally, let's look at how many reviews are posted on both marketplaces. To the surprise of no one, Amazon top listings have a lot more reviews than Walmarts. Only 3 listings have over 200 reviews on Walmart, while most top listings have over 500 on Amazon.

Even though there are more sponsored listings on Amazon, the sheer size difference between the marketplaces makes a huge difference in terms of reviews.

It could also be due to the reviewing process being easier on Amazon than on Walmart. This shows that there may be an opportunity to get on Walmart "early" and not be at a huge disadvantage in terms of reviews.



CONCLUSION

While the data I presented is only about a niche product and may not be representative of the competitive environment, I found it interesting to compare the offers of Amazon and Walmart.

It is clear that Amazon has a lot more sponsored listings than Walmart, impacting the customer shopping experience (but Walmart could potentially catch up on that in the next couple of years).

In terms of pricing, both marketplaces offered similar products and without more data, it is difficult to say that one is cheaper than the other. On the other hand, I believe the advantage Amazon has in terms of logistics is pretty clear, even though industry sources report major progress on Walmart's side.

Ultimately, the impressive increase in ecommerce sales on Walmart.com is a signal that this channel, while still being much smaller than Amazon, should not be ignored.

CUSTOMERS NOW WANT OMNICHANNEL COUPONS

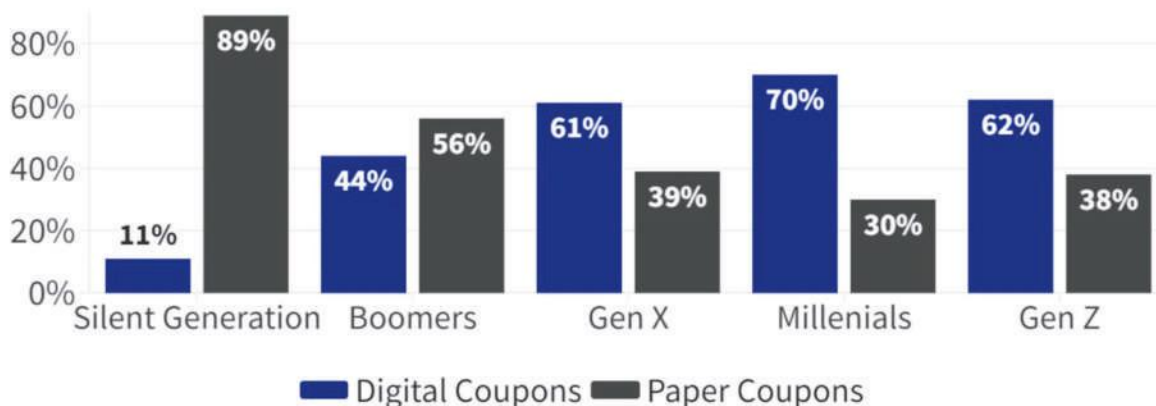
How Realistic is That?

Not too long ago, omnichannel was the center of attention in the ecommerce world, before AI and new sales channels became a thing. However, a solid omnichannel strategy is still important for retailers and is expected from shoppers who seek a consistent brand experience. According to a recent PYMNTS Intelligence study, 75% of U.S. shoppers expect digital coupons to be available for both in-store and online shopping.

Coupons are a very flexible tool and a great way to influence customers' decisions. There are many reasons why brands would use them. Coupons can increase sales, help clear out inventory, acquire new-to-brand customers, and more. But one way some brands use them is to drive traffic to their retail stores.

Share of Shoppers Using Digital vs Paper Coupons in the US in 2023

Source: Statista



While this does not tell us about where customers redeem coupons (digital codes are redeemable in-store), this shows that both paper and digital coupons are relevant today. We can assume that physical and online channels are also both relevant for coupon use.

[fmaingret.com](https://www.fmaingret.com)

While online shopping is more popular than ever, the physical store remains a crucial touchpoint for customers. Omnichannel coupons act as a bridge, encouraging customers to visit brick-and-mortar locations, where they often end up spending more than initially planned, driven by the employees, the physical contact with the products, and the immediacy of the shopping experience. Several studies have shown that consumers tend to spend more per visit in-store rather than online. Other customers are more likely to buy online once they have seen and experienced the product in-store.

The expectation for coupons that function both in-store and online may seem reasonable to customers. For brands, omnichannel coupons could be a goldmine for collecting valuable customer data. Through these coupons, retailers can gain insights into customer preferences, purchasing behaviors, and channel preferences.

However, this can be very difficult to do in practice. The dynamics of in-store and online shopping differ significantly. There are physical constraints, such as limited space.

Many brands have a broader selection of products online. This does not impact generic coupons (for example, 10% off on any order) but makes it impossible to target any item. Then, cost structures are vastly different across sales channels. For example, shipping and order fulfillment can be a large expense, especially if the brand offers free shipping. The cost of reverse logistics is also high, especially in industries with high return rates like the fashion industry (Customers can try the clothes in stores, but some customers order multiple sizes online and return what does not fit).

Coupons are more than just discounts. They are important tools for retailers, can be easily shared online by brands and influencers, are very flexible, and are helpful in collecting data. However, despite the importance of omnichannel, there are still major differences between stores and online channels that make it difficult to offer coupons that work both in-store and online. As of now, I only see it possible for a very small minority of retailers, but I would be interested to know if my readers have ideas to provide a better shopping experience despite these constraints.

<https://www.pymnts.com/study/global-digital-shopping-features-click-and-mortar-retail-commerce/>



WHY ARE AMAZON THIRD-PARTY SELLERS FURIOUS? ANALYZING THE NEW INVENTORY PLACEMENT FEE AND HOW TO REDUCE IT

When Amazon initially announced their new fee structures for 2024, sellers were expecting to see an increase in how much they'd pay. But now that the fees are implemented, there is a lot of outcry across Amazon seller forums, Reddit, LinkedIn, and social media. The object of all this rage: Amazon's new inventory placement fees. Beyond the Change.org petition to get this fee removed, this made so much noise that the FTC is now investigating it. The agency's interest followed Fortune's recent article on how sellers feel about this new fee.

Today, I want us to review what this fee is, explain why sellers are furious and how it may impact your business. Finally, we will see if every company is impacted equally and investigate potential strategies to mitigate the impact of this fee.

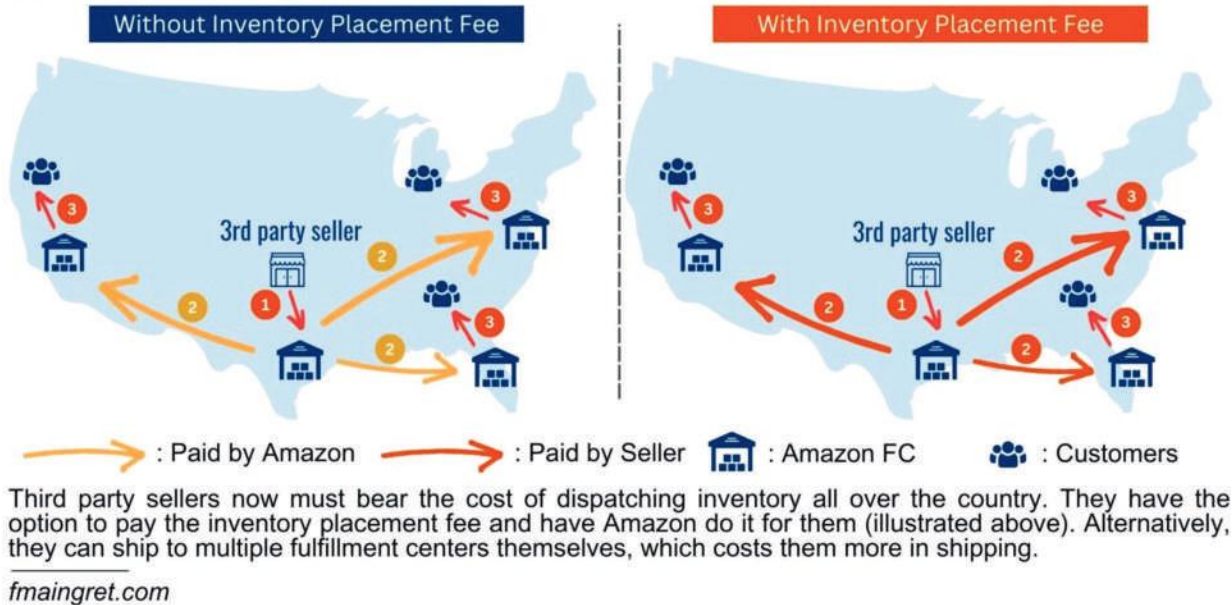
WHAT IS THIS NEW INVENTORY PLACEMENT FEE?

When shopping online, customers hate waiting for their packages. That is why Amazon's Prime membership is so popular, people love receiving their order within a day of placing them. Despite the lightning-fast delivery, Amazon doesn't resort to costly air shipping. Instead, they leverage their expansive network of fulfillment centers (FC) strategically positioned all over the United States. If a customer located in New York City orders shoes from Amazon, the item is more likely to come out of an FC located in the northeast, rather than from one in California. By using their large network, Amazon optimizes efficiency and minimizes delivery times, improving the overall customer experience.

In order to have inventory available for shipping all over the country, Amazon typically distributes inventory to multiple FCs. Third-party sellers used to ship their items to mostly one local FC and have Amazon dispatch the inventory for them.

Amazon has now changed its approach and requires sellers to ship inventory to multiple FCs located throughout the United States. If they don't, sellers have the option to ship to only one FC, but have to pay the dreaded inventory placement fee.

What Are Amazon Inventory Placement Fees



WHY ARE THIRD PARTY SELLERS FURIOUS?

Shortly after Fortune's article was published, the FTC initiated contact with Amazon sellers to learn more about the impact of the fees, according to multiple sources. And I believe they have not heard great things about this new fee.

The main reason why third-party sellers are upset is not the added complexity to the inbound shipping processes, it is clearly the fees. The YouTube channel E-BusinessOnline (Link below, great content I recommend) gives us a great example of how much sellers can expect to pay (see image on the next page)

Sellers are presented with three options:

- Ship to multiple FCs (Optimal Split)
- Ship to a limited number of FC (Partial Split) for reduced fees
- Ship only one FC (Minimal Split) but pay the full fee

As you can see in this example (and I noticed amounts in the same magnitude when shipping inventory), this is quite a difference compared to when sellers only had to ship to one destination.

Inventory Placement Fee for a 7344 Units Shipment

A	B	C
AMAZON OPTIMAL SHIPMENT SPLIT	PARTIAL SHIPMENTS SPLIT	MINIMAL SHIPMENT SPLITS
SELLER SHIPS TO 5 FC	SELLER SHIPS TO 3 FC	SELLER SHIPS TO 1 FC
PLACEMENT FEE : \$0	PLACEMENT FEE : \$1248.48	PLACEMENT FEE : \$2350.08
SHIPPING COSTS : \$1929.35	SHIPPING COSTS : \$1439.41	SHIPPING COSTS : \$865.60
<hr/>	<hr/>	<hr/>
TOTAL COST : \$1929.35	TOTAL COST : \$2687.89	TOTAL COST : \$3215.68
PER UNIT : \$0.26	PER UNIT : \$0.37	PER UNIT : \$0.44
SURCHARGE : +\$0.14/unit	SURCHARGE : +\$0.25/unit	SURCHARGE : +\$0.32/unit

Example from E-Business online video : https://www.youtube.com/watch?v=JWFAAdSEm_Y

Mira Dix, Amazon Spokesperson, told Fortune that *“the new fee changes allow sellers to choose where they want to have Amazon take on different aspects of fulfillment and where they want to do the work themselves. On average, the 2024 fee changes are significantly less than those announced by other major fulfillment services, and many sellers will see a decrease in the average fees paid to Amazon per unit sold.”*

However, sellers are expecting an overall increase in fees, not a decrease. There are numerous testimonials online on how specifically the inventory placement fee will kill many sellers already thin margins.

User Jigglypuffsx on Amazon seller forums reported: *“Bro, they are going crazy. It used to cost me \$150 for 2 pallets to ship to Amazon warehouse. Now it will cost around 1k for the same products, nonsense fees. It will not help anybody on long term Amazon or 3rd party seller”*

User LVSeller123 talks about the alternative to ship to multiple FCs instead *“Yes you can avoid the placement fee this way but the bigger issue is they increased LTL Partner Freight price by 600%. Last week a shipment cost me \$600 for 4 pallets. This week that exact same shipment WITHOUT placement fee is \$2100. They want me to split it into 5 warehouses. Absurd.”*

“

“They are going crazy. It used to cost me \$150 for 2 pallets to ship to Amazon warehouse. Now it will cost around \$1k for the same products, nonsense fees. It will not help anybody on long term Amazon or 3rd party seller”

Amazon Seller Forums User

IS EVERYONE EQUALLY IMPACTED BY THE FEES? AND WHAT COULD BE DONE TO REDUCE THEM?

After reading a few dozen testimonials and complaints, it is clear that some sellers are hit harder than others. Sellers shipping smaller volumes of inventory to Amazon tend to be more impacted, as it seems that these fees are higher for small parcels than for LTL shipments.

Another user of Amazon seller forum reports “Just had our first today. Was a 750 small item shipment, about \$40 to ship. They forced us to pay an additional \$135 on top to redistribute these shipments, the no fee option was grayed out. May be changing our FBA strategy going further if this is the new normal.” It appears that the Amazon optimal shipment split or Partial shipment splits is not available for shipments that are too small.

It could be a question of shipper cases rather than units sent. Amazon may break cases when shipped to one FC and allocate them, but they only allow sellers to ship full cases to FCs.

This means, for those shipping a few cases with a lot of units, they will have to pay the highest cost per unit. It is still early to tell, but shipping more inventory less frequently, alongside using smaller shipper cases for small items so the optimal/partial splits options are available, could be a way to reduce these fees. Geographic location could have an impact as well, but there isn't enough evidence to plan around it for now.

Some Amazon forum users also reported that Chinese third-party sellers, operating directly from China, are not subject to these fees. While there is a theory that Amazon favors Chinese sellers, potentially as a way to counter competitors Temu or Shein, it remains speculative until there is enough evidence to support it.

In this case, it appears that sellers operating from overseas and using the Amazon Global Logistics (AGL) program have access to Amazon Managed Placement, allowing them to bypass the inventory placement fee and save on inbound logistics.

Instance of Costs for Shipments from China and from the US

The screenshot displays the Amazon Seller Central interface for creating a shipment. It is divided into two main sections: 'Shipment from China' (left) and 'Shipment from the US' (right).

Shipment from China (Total Cost: \$226.29):

- Amazon Managed Placement (AMP):** 30 inbound placement service fee. See estimate for all-in AMP rate.
 - Inbound to West, US single location.
 - Amazon will spread inventory to multiple locations.
- Minimal shipments splits:** Placement fee starting at \$875.
 - 1 shipment
 - Send to minimal locations and we'll spread the inventory.
- Select inbound region:** West - \$1,257. This will be collected with Inbound Fee.
- Shipping speed:** Standard (Apr 3 - Apr 24) at \$226.29.
- Options:** Full container - Ocean (Standard: 55 days, Fee: 25 days) and Less than container - Ocean (Standard: 45 days, Fee: 10k).

Shipment from the US (Total Cost: \$1143.03):

- Minimal shipment splits:** 1 shipment. Placement service fee: \$874.90. You send inventory to minimal locations and we'll spread the inventory.
- Inbound region:** East - \$874.90.
- Shipping mode:** Small parcel delivery (DPO) (Starting at \$208.13) and Less than and full truckload (LTL/FTL) (Estimate starting at \$108.11).
- Specialty packaging services:** UPS (Amazon partnered carrier)* (Pickup cost is not included with the rate) at \$268.13, and Non-Amazon partnered carrier.

While this is only one instance of a shipment, and might not represent the costs for most sellers, the difference between the two is significant.

Screenshots provided by user bontemps on Amazon Seller forums

<https://sellercentral.amazon.com/seller-forums/discussions/t/af8d6779-9354-4688-90d8-2d10fe5a4db2>

A way to avoid these fees highlighted in Fortune's article is to use a program called AWD, for Amazon Warehousing and Distribution. This program is designed to let sellers store their long-term inventory into Amazon's warehouses before they are shipped to fulfillment centers. However, this also means giving Amazon more power over businesses supply chains, who then need to pay the fees and costs associated with AWD.

Finally, some sellers report having found loopholes and glitches in the inbound shipment creation process that can be exploited to avoid paying these fees. Not having tried myself and not having more information than individual claims, I can not elaborate on these.

CONCLUSION

When I first heard about the new FBA fee structure, I found that the main issue was its complexity.

Instead of increasing fulfillment fees per item, Amazon decided to decrease them but add additional fees, such as this new inventory placement fee, but also fees that punish sellers for not having enough inventory such as the low inventory fee. In addition, there are fees waivers for those who use specific Amazon programs, like Amazon Global Logistics or Amazon Warehousing and Distribution.

Now that sellers are experiencing the costs associated with the new fees, they are pushing back. But this could be the beginning, as it is still difficult to measure the impact of the low inventory fee that will be applied later this year. While this is very complex, I encourage Amazon sellers to research and weigh their options. The more complex the system is, the bigger the competitive advantage will be for those who understand it.

https://www.youtube.com/watch?v=JWFAdDSEm_Y
<https://fortune.com/2024/03/01/amazon-inbound-placement-low-inventory-seller-fees/>
<https://sellercentral.amazon.com/seller-forums/discussions/t/32b34074548ddc40dc72a1c1a3f289ea>



FRANCE TAXES FAST FASHION

Will We See Similar Regulations Expand to Other Countries and Industries?

Do you feel guilty ordering clothes from Shein? If so, you're not alone. Thousands of social media users are voicing their concerns about the impact on the environment and the labor practices of the Chinese giant, criticizing influencers' "Shein hauls."

Yet, Shein is more popular than ever, with over 250 million app downloads in 2023. The sheer volume of clothing sold and the resulting waste are reasons why some consumers are becoming concerned.

But consumers are not the only ones worried: businesses and the government seem to be taking the threat seriously, with France's parliament backing measures to make fast fashion less attractive to buyers.

Of course, governments say they want to support more sustainable practices. But is saving the environment the only reason behind these potential new regulations? Following the massive success of China-based shopping apps, could we see similar regulations expand to industries beyond just fast fashion?

IS FRANCE TAKING ACTION AGAINST FAST-FASHION, OR AGAINST CHINESE ONLINE RETAILERS?

I love going to thrift stores, hoping to find high-end clothes and shoes at a heavily discounted price. One of my worries is to see my favorite stores flooded with low-quality, fast-fashion items in the next few years.

The amount of cheaply made products Shein sells is through the roof, from \$1.4B in 2018 to a forecasted \$48B in 2024. In terms of purely online sales, Shein trumps Zara.com, Hm.com, and Zalando combined.

Net Sales of Large Online Fashion Retailers



Source: ECDB

fmaingret.com

Some industry experts call Shein the epitome of ultra-fast fashion: the company is able to produce thousands of different designs per day. We used to have trends that lasted years, before the fast-fashion industry caused trends to only last a couple of months.

Now, thanks to Shein strategy, supercharged by TikTok and Instagram influencers, trends barely last a couple of weeks. You're not one of the cool kids anymore if you wear something weeks after you buy it, how crazy is that?

Every year, people in the United States throw away over 34 billion pounds of used textiles, more than 100 pounds per person and per year. That is heavier than a large male golden retriever. Every year and per person. And unlike timeless items that can be resold, no one will want to buy outdated designs. Finally, the impact of logistics is huge: Shein and Temu together send almost 600,000 packages to the U.S. every day, and that number keeps increasing.

Insights on the Environmental Impact of the Fast-fashion Industry



While we have little data on textile sent to landfill in the last 1-2 years, we can probably assumed that the trend continued, especially knowing how much Shein sells in the US.

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But let's go back to France. France's proposed regulation is based on several criteria, including the volumes of clothes produced and the turnover speed of new collections. That is how a business would be classified as "fast-fashion". In a typical French manner where new taxes are the answer to every problem, a surcharge would be applied if the law passes: 5 euros per item (about \$5.50) next year and 10 euros in 2023. In addition to the surcharge, producers would have to inform consumers about the environmental impact of their products.

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In addition to the surcharge, producers would have to inform consumers about the environmental impact of their products.

Is it because Shein contributes to an even steeper increase in textile waste? Because people are more aware and sensitive on environmental issues? Or because Shein is taking away market share from local retailers, destroying jobs and hurting local economies?

It is unclear how a company will be classified under this new regulation. It is true that releasing thousands of new designs per day contributes to making clothes unfashionable within weeks. But if that is the main criteria, this would make me think the law is specifically targeting Shein over other companies. Is it that H&M and Zara don't want to create too many designs to not produce waste, or are they simply unable to do so? The design and release of so many new items per day is, alongside its low prices, Shein's greatest asset.

The company is able to quickly identify fashion trends, and minimize manufacturing cycles to the point no other company can compete, especially those with more complex supply chains and networks of retail stores.

Even if protecting local businesses is the main motivation behind these new regulations, I believe it can have a positive impact on the environment. A 5 to 10 euros tax is steep, even if capped at 50% of the item retail price. However, I am not sure this will be enough. The problem is obviously complex. Government can't limit customers in how much clothes they want to buy, social media is a very powerful marketing machine, and sustainable items are simply unaffordable for many people. Still, it is a first step towards more sustainable practices and helps build awareness on these issues.

When I first heard about it, I wondered if we will see similar initiatives in other countries, but more importantly if these regulations extended to other industries beyond just fast fashion.

WHAT ABOUT OTHER INDUSTRIES?

The fashion industry isn't the only one where a large Chinese company sees their sales skyrocket in the US and other western countries. There is now one company no one can ignore, that spent about \$15M on Superbowl commercials. Temu surged from \$3 million in sales in September 2022 to \$1 billion in June 2023, and became one of the most downloaded apps in the U.S.

Some politicians in the U.S are even calling for a ban of the Chinese app, stating "US manufacturers can't compete with low-cost competitors that rely on forced labor". Sens. Sherrod Brown (D-Ohio) and Rick Scott (R-Fla.) have sent a letter to Biden calling on him to end the duty-free treatment for products sold through Temu. "This out-of-control problem impacts the safety and livelihoods of Americans, outsourcing not only our manufacturing, but also our retail sectors to China, which — as you know — systematically utilizes slave labor among other unconscionable practices to undermine our economy," the senators said.

Whether the accusations made are true or not, this got me thinking, are US politicians concerned about the use of slave labor and safety issues, or do they care more about protecting US corporations? Why would it be unethical for Temu to sell a product to US consumers, but it is okay if a US middleman sells the same product, coming from the same factory, on Amazon?

I believe protecting local businesses is important, no foreign company should have an unfair advantage over local ones, and the use of forced labor would be a huge problem if true. However, consumers must know that buying on Amazon at a higher price does not guarantee a more ethical, or a higher quality item.

Comparison of a Product Sold on Temu and on Amazon.com



The product sold on Amazon is coming from third-party seller established in the US. The company selling the item on Temu is established in China. It is unclear if this is the manufacturer or a trading company. Screenshots taken on 3/23/24

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And people are becoming aware of it, with product reviews, “Dupes” and “Temu hauls” being posted all over TikTok. People are becoming able to buy directly from manufacturers, skipping the middleman. I believe this will have a huge impact on US businesses in the upcoming years, and may prompt politicians to emulate France and establish new regulations. Before this happens, US businesses are already adapting to the changing business environment and consumer habits. For example, Amazon recently dropped its referral fees for low-priced fashion items, a measure to better compete with Shein.

CONCLUSION

Only time will tell what will happen next. France’s move to tax fast fashion may reflect growing concerns not only about environmental sustainability.

But it seems clear that politicians care about the broader economic impact of Chinese companies like Shein.

While the environmental implications are significant, the regulations also aim to level the playing field for local businesses and address ethical concerns related to labor practices. I wouldn’t be surprised if we saw similar initiatives in other countries, targeting a broader range of industries, in the near future.

<https://www.france24.com/en/france/20240315-french-lawmakers-vote-to-slow-down-fast-fashion-with-penalties>

<https://nypost.com/2024/02/26/business/us-lawmakers-demand-import-ban-on-goods-bought-on-chinese-app-temu-over-alleged-forced-labor-report/>

ECOMMERCE AND SOCIAL MEDIA ARE FUELING THE ULTRA-FAST-FASHION MACHINE

CAN THE SAME TECHNOLOGIES ALSO SAVE US FROM IT?

In a recent article, I wrote about ultra-fast fashion, specifically on how France is trying to limit its impact on the environment with new regulations. We've seen how unsustainable fast fashion can be, with Americans tossing out a whopping 34 billion pounds of used clothes each year—that's over 100 pounds per person!

What can be done about Shein? Let's be realistic, Shein is the target of France's proposed regulations. Bans or taxes sound good on paper, but they don't completely eliminate the problem and tend to frustrate customers. Making local brands cheaper so they can compete with Shein (through new processes, innovation, or worse, lower taxes or subsidies) may help local economies, but this wouldn't do much in terms of sustainability.

Greenwashing and shaming customers isn't ideal either, and won't win any fans.

Are we stuck in a never-ending cycle of buying and trashing clothes, until we drown in used t-shirts? Thousands of new designs are released every day, and Shein sales are supercharged by influencers and social media. However, I believe we shouldn't throw in the towel just yet. Ecommerce has come a long way in the last 20 years, and there are some impressive innovations that could help us shop smarter and more sustainably. So let's see what our options are, and how some successful entrepreneurs are already addressing the fast-fashion problem by offering solid alternatives.

BEYOND FAST FASHION: COULD ECOMMERCE MAKE SLOW-FASHION AN ACHIEVABLE ALTERNATIVE?

An interesting term emerged recently to describe the opposite of the unsustainable, mass-produced fast fashion. Slow fashion is a movement and approach to clothing design, production, and consumption that prioritizes sustainability, ethics, and longevity. Unlike fast fashion, which has quick production cycles, low costs, and fast consumption, slow fashion is all about reasonable consumption, quality over quantity, and fair treatment of workers and the environment. When a company like Shein releases thousands of new designs each day, slow fashion encourages consumers to purchase timeless pieces that are made with care, respect for craftsmanship, and kindness to the planet. When I first heard about slow fashion and sustainable clothing years ago, all I could picture was pretentious designers selling \$90 plain white t-shirts that don't fit well to trust-fund hipster kids. These companies definitely exist, and I can see why they give slow fashion a bad rap. But slow fashion is much more than that.

Take, for example, the world of bespoke tailoring on Savile Row in London. Skilled craftspeople with decades of experience create custom suits with an eye for detail and a respect for materials. Artisans know exactly where the materials used come from and how these are made. It's a fascinating world, but let's not get sidetracked—I want to focus on what I know best: ecommerce.

A problem with small companies manufacturing high-quality pieces is that they tend to focus on what they do best, making great clothes. Marketing isn't their main focus, and many of them became known thanks to word-of-mouth. You knew this small local store in your town that made great stylish items, and you would tell friends and family. Fortunately, social media isn't only great for showing off "Shein hauls"; people can also share their opinions on small designers and brands they love. Living in Texas, I would have never found out about the brand Scavini if it wasn't for the internet, and I am now excited to go visit their store the next time I am in Paris.

Instagram

Log In

Sign Up



LE
SEERSUCKER
- Seersucker -
SCAVINI
PARIS



How social media can help promote small businesses online

Above : Scavini Instagram Page

Beyond just marketing, ecommerce and modern tech have done wonders in making it less risky to buy high-quality items online. What do I mean by “risk”? Well, when you splurge on a \$5 shirt, it’s no big deal if it doesn’t fit or isn’t quite what you expected. But when we’re talking \$300 shoes, many people would rather buy them at the store than risk having to deal with returns. Fortunately, logistics and reverse logistics have made huge progress over the years. It is now easier than ever to return unwanted items. And yes, companies are cutting down on free returns due to the high costs they are facing. But it is still very important for customers, and some brands are finding reasonable compromises. Some brands, like Spier and Mackay, even offer a one-time free return per customer.

I bought some trousers from them that were one size too small and was able to return them to buy a larger size. I now know what size I should order from them and probably won’t need to return future purchases.

Ecommerce has also made amazing progress in visuals and size charts. I remember twenty years ago that product listings only had one or two low-resolution, grainy photos. It is now common to see more than five high-definition pictures and one or two videos. Some sites even let customers post reviews and photos, which I find extremely helpful. Seeing the item on a great-looking model in perfect lighting is nice, but I really like seeing what an item looks like on the average Joe posing in his living room.

Manfinity Mode Men's Plaid Double-Breasted Suit
SKU: sp2401055433330001 ★ ★ ★ ★ ★ (13 Reviews)

\$40.63 ~~\$50.00~~ -31%

✓ Eligible to get FREE SHIPPING

Size US Size --
36 (S) 38 (M) 40 (L) 42 (XL)
44 (OXL)

[Size Guide](#)

ADD TO CART ♡

Earn up to 40 SHEIN Points calculated at checkout.

Shipping To United States

p*0** ★ ★ ★ ★ ★ 23 Mar, 2024

a little thinner than I thought but fits perfect for a guy my size I'm 6'2, 230lb. the suit is exactly as shown I'm definitely loving it

[Translate](#)

Color: Grey Size: XXL

User Size

Overall Fit: True to Size
Waist: 93 cm / 37 in
Height: 182 cm / 72 in
Weight: 107 kg / 236 lbs


Shein Listing Images (Above) and Pictures Posted by a Customer (Below)

Size chart designers are stepping up their game, and charts are getting more and more accurate. For example, I recently ordered shoes from Meermin.com for the first time. I had no idea which size was right for me, but they have a great tool that recommends a size based on what shoes you already own. You wear Allen Edmonds Kenwood loafers in a size 10 and your Sperry Topsider shoes are a size 10.5? You need a size 9.5 from Meermin. That was very convenient and a lot easier than complicated charts in inches or centimeters. Finally, augmented reality is helping customers virtually try on clothes before buying. It isn't widely used yet, but maybe it will become a standard in the near future. Great visuals, advanced chart sizes, and augmented reality are time-consuming to design but work well with slow fashion: brands only have a limited assortment compared with fast-fashion brands with thousands of different items. This makes it a lot easier to manage and provide the highest quality of service to the customers.

Now, let's address the elephant in the room, pricing. Yes, price is important. Sustainability and ethics aside, why would anyone buy a \$1000 suit when Shein sells some for \$50? In my opinion, a metric as important as item price is often overlooked: the cost per wear. If you buy the \$1000 suit but wear it 250 times (or \$4 per wear), is it really more expensive than a \$50 suit you wear 10 times (\$5 per wear)?

When looking at Pini Parma jackets (on the right in the image below), yes, they are relatively expensive compared to typical fast-fashion brands.


9.5 UK
Sorry, the recommended size is currently not available.



Meermin
101341 - BURGUNDY CALF - E

Continue Shopping

Based on the experiences of other customers and the shoe you wear already:



10 US Men (9.5 UK)
Allen Edmonds
KENWOOD
Foot width: Regular
Foot arch: Regular

But in addition to the higher quality of their materials, I find that their style is much more timeless. If I bought a Pini Parma jacket, I wouldn't fear it would go out of style next year and could probably keep it for the rest of the decade. For people following fashion trends, items can become very quickly outdated. The metallic trend was very popular when Taylor Swift and Beyoncé went on tour last year but is slowly dying down. Maybe the trend will eventually come back, but I can't see people wearing these items in the next few years. The point is, in the long run, timeless items are much more sustainable, ethically and financially for customers.

Now, you might point out that not everyone has \$500 in their bank account to buy a jacket no matter how low the cost per wear may be.

And I agree; that is a good amount of money not everyone has the luxury to spend on clothing. But don't worry if you are on a small budget; Shein isn't your only option.



FeverCity Men Fringe Trim Metallic PU Leather J...

60+ sold recently

\$33.75 -30%



BLUE SAFARI JACKET IN LORO PIANA SEERSUCKER -
MADE IN ITALY

\$510,00

Which jacket is more likely to be worn for many years?

ONE MAN'S TRASH, ANOTHER MAN'S TREASURE: THE ONLINE MARKET FOR SECOND-HAND ITEMS IS BOOMING.

As a kid and a teenager, my dad took me on Sundays to hundreds of flea markets, garage sales and thrift stores, where I could find treasures for only a few euros. As an adult, I still love going to these places. I may not chase video games and trading cards anymore, but I am able to find incredible pieces of clothing at unbeatable prices.

Second-hand items are a great way for people to buy high-quality items at very reasonable prices.

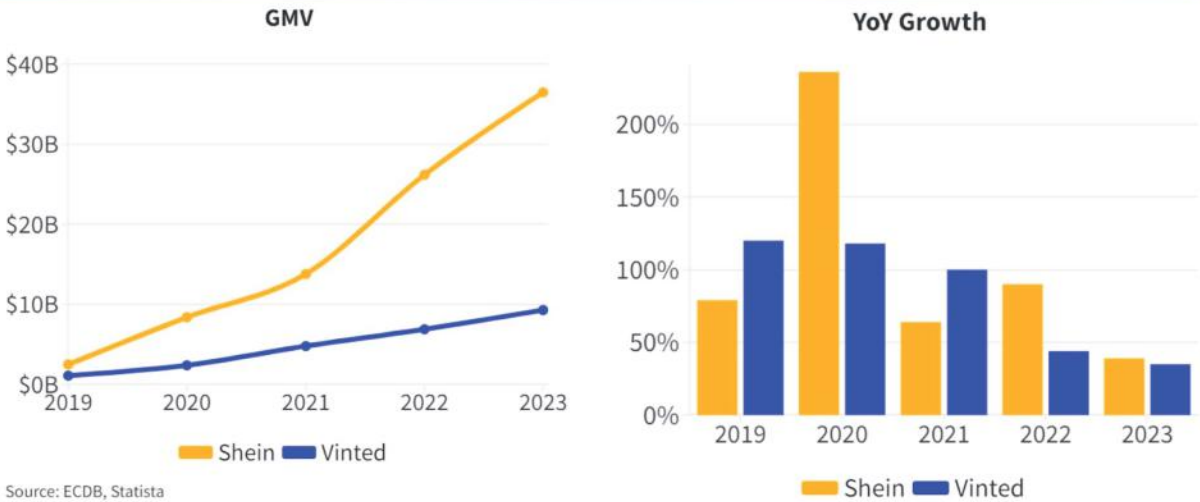
Even after being worn by someone else, many items can still be kept in great condition for years. Not to mention how much better they look than their fast-fashion counterparts. I saw a Brioni suit that looked very well-maintained for less than \$50. Sadly, it wasn't my size. But put the used Brioni suit next to a brand new \$50 Shein suit, and you'd be crazy not to pick the Brioni suit.

Now, you can argue that these finds are the result of pure luck and that not everyone has time to go to thrift stores every other day. That is true. Luckily, the internet brought a lot of alternatives over brick-and-mortar stores.

Many years ago, eBay revolutionized the way people bought and sold used items over the internet. These days, billions of items are sold every year, and there are amazing deals available. While not perfect, the seller rating system helps buyers make informed decisions and buy from reputable sellers. High-quality images make it easier for buyers to see imperfections, damages, or stains on clothes. I don't remember the last time I had a bad experience buying something from eBay. eBay is far from being the only player in the game. Some websites are now specialized in second-hand clothing

. Founded in 2008, the popular European platform Vinted is an online marketplace and community platform where users can buy, sell, and swap second-hand clothing, accessories, and shoes. It saw its GMV grow from \$2.4B in 2020 to \$9.3B in 2023. Some companies go even further, such as Grailed.com focusing on higher-end clothes. Sure, you won't find the insane deals you can get at thrift stores, but there are great bargains on these platforms, and it is a lot easier to find than digging through bins of used clothes.

Fast-Fashion vs Second Hand Marketplaces - GMV and YoY Growth



Source: ECDB, Statista
 While Shein's GMV is almost 4 times higher than Vinted, both companies observed a similar growth over the last couple of years.
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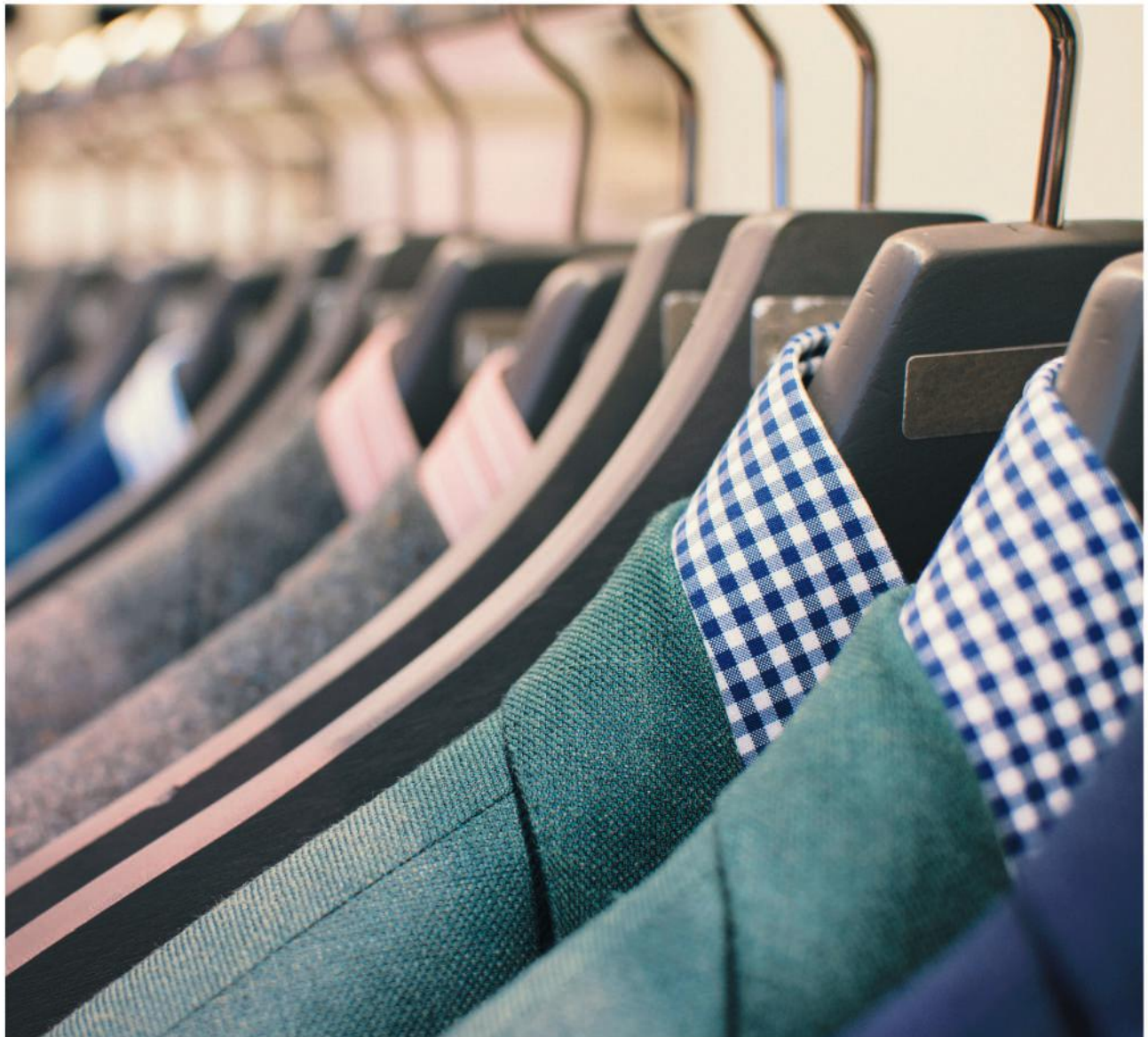
CONCLUSION

The fast-fashion industry's impact on the environment and society cannot be ignored.

While ultra-fast fashion brands like Shein are more popular than ever, thanks to their low-cost, high-volume model, they contribute significantly to textile waste and ethical concerns.

Taxing these low-cost items, banning them, or greenwashing are often cited as solutions to make the fashion industry more sustainable. However, in my opinion, making slow fashion more attractive is a better and more sustainable model. I believe some brands are taking advantage of environmentally conscious customers and overcharging them. But great alternatives exist.

Buying timeless pieces over items that will be out of style within months. Focusing on quality over quantity while taking good care of clothes. Even second-hand items are a great solution for those on smaller budgets. Social media helped Shein grow to its massive size; I can't see why it couldn't help more sustainable practices become more popular. Lastly, a special thanks to my friend Tiffany Vo for her valuable insights into the fashion world that greatly contributed to this article.





CHEWY IS LOSING CUSTOMERS

Can the Ecommerce Giant Surprising Strategic Move Help Them?

When I moved to Texas from France, I was surprised to see this many dogs when walking around. I thought every other person had a dog. I wasn't too far off: 66% of U.S. households (86.9 million homes) own a pet, with dogs being the most popular pet (65.1 million U.S. households own a dog).

As a result, the pet care market is huge, \$246.66 billion worldwide in 2023 and is projected to grow to \$259.37 billion in 2024.

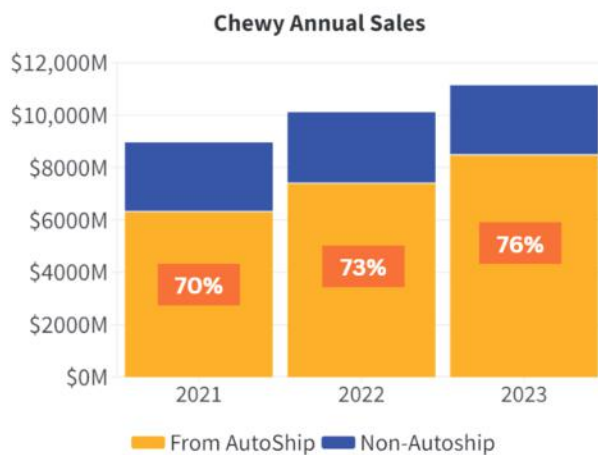
Of course, this market is very competitive, and even the largest companies have to constantly innovate to grow.

The e-commerce giant Chewy announced surprising plans to expand, and I'd like to discuss whether other retailers should emulate them.

CHEWY'S SURPRISING STRATEGIC MOVE

Despite reporting better-than-expected results in Q4 2023, Chewy's sales dropped by 10% after the earnings call. Chewy is facing intense competition from other online retailers like Amazon, but also brick-and-mortar stores like Petco or Walmart.

Another problem for Chewy is that the company saw a decline in their customer base, 1.6% less than last year at 20.2 million active customers. Now, the sales per customer have increased; the company generates about three-quarters of its sales from product subscriptions. This is, of course, an important part of the retailer's strategy. The pet market tends to hold up well in difficult economic times (people still need to feed their pets and rarely compromise on how much they spend on their furbabies). However, other competitors also offer subscription services, including Amazon. Their "subscribe and save" program on thousands of items is popular, especially coupled with the lightning-fast Prime deliveries.



Source: Chewy Annual Report

But Chewy has big plans to grow its revenues and announced venturing into veterinary care with its launch of Chewy Vet Health.

The first location will be in South Florida, set to open early next year, with plans for more locations in 2024. These vet clinics will offer a range of services including routine check-ups, urgent care, and surgeries. "Chewy Vet Care is inspired and designed by a team of veterinary experts to combine personal, patient-centered medicine with the latest technology in an environment where customers will love to take their pets, and care teams will love to practice," said Dr. Benjamin Carter, chief medical officer at Chewy Vet Care.

"We are confident we can drive positive change by addressing critical pain points straining the veterinary industry, such as burnout and lack of flexibility, while providing the convenient, transparent, and trustworthy access to care that today's discerning pet parents appreciate," he continued.

The new veterinary practices will complement Chewy's existing health services like pet pharmacy, tele-triage, and insurance plans. Mita Malhotra, president of Chewy Health, explained how the unique in-practice and post-visit experiences are tailored for both pet owners and care teams.

Of course, this will be another way for Chewy to sell its products and get more people to subscribe to automatic deliveries.



“We are confident we can drive positive change by addressing critical pain points straining the veterinary industry, such as burnout and lack of flexibility, while providing the convenient, transparent, and trustworthy access to care that today’s discerning pet parents appreciate”

Dr. Benjamin Carter, chief medical officer at Chewy Vet Care

HOW WILL OPENING VET CLINICS HELP CHEWY?

In the context of the strong inflation we’ve seen in the past few years and potentially weakening economic conditions, I think opening vet clinics addresses two issues Chewy is facing.

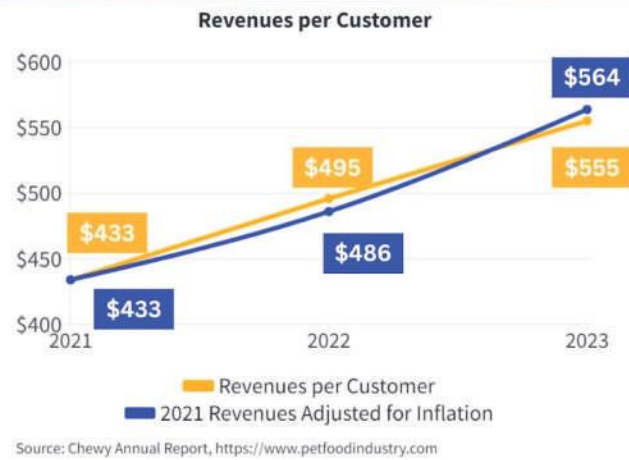
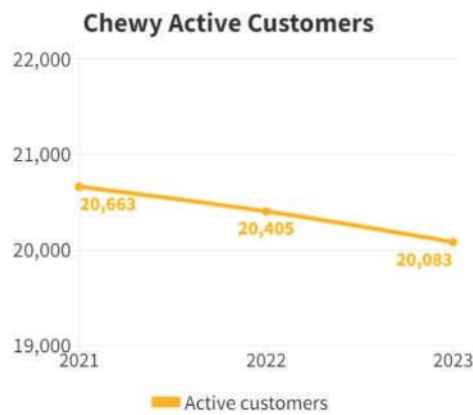
First, this will help them achieve higher net margins. Pet supplies, especially food, are relatively low-margin items, making any strategic mistake costly for the company.

Secondly, it may help the company get new customers, through upselling people visiting the vet clinic and selling them Chewy items, or even Autoship deliveries. Autoship deliveries have been a large part of Chewy’s sales over the years, and their subscription system is a key part of their value proposition. Customers appreciate the convenience, fast shipping, but also the company’s transparency.

It appears that Chewy has been losing active customers year after year. Their revenues per customer increased significantly between 2021 and 2023, from \$433 per customer to \$555. However, inflation for pet food was in the double digits from 2021 to 2022 and 2022 to 2023.

It isn’t clear how sales increased in volumes: did Chewy sell more products, or did they sell the same quantities at higher prices? The point is, this new initiative may contribute to both increasing sales per customer and increasing the number of active customers. The share of customers enrolled in Autoship increased over the last few years, and the number of active customers decreased, suggesting that Chewy struggled to attract new customers. Adding a new way to address new customers may help diversify their customer base.

Chewy Active Customers And Revenues per Customer 2021-2023



Inflation numbers for the pet food category, based on [petfoodindustry.com](https://www.petfoodindustry.com) report
No data on Chewy prices is available - if their prices followed pet food inflation numbers, their unit sales may not have increased over the years, despite higher sales per customer.

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Finally, this new initiative could give them more credibility in the pet supplies market and help them justify higher prices than some of its competitors. By employing qualified and experienced veterinary professionals and meeting the high standards of the veterinary care industry, Chewy Vet Health clinics can demonstrate expertise, professionalism, and a commitment to quality. Chewy Vet Health clinics can deliver personalized care tailored to the unique needs of each pet and their owner.

Ultimately, this is an opportunity for the company to build a stronger brand, increase its net margins while getting new-to-brand customers.

However, the execution of this strategy will be key to its success. We shouldn't forget that Chewy is operating in a very competitive industry. Operating veterinary clinics involves working with very complex regulations, licensing requirements, and compliance with veterinary medical standards and practices.

Not only is meeting these criteria costly, customers have very high expectations. Vet care is expensive, and customers see their pets as family members. Finally, offering the optimal omnichannel experience, and maintaining the right brand image will be another major challenge for Chewy.

CONCLUSION

Chewy's decision to expand into veterinary care with the launch of Chewy Vet Health clinics seems to be a strategic move aimed to address its declining customer base and relatively low margins.

By integrating veterinary services with their existing offerings, Chewy can potentially increase net margins, attract new customers, and build a stronger brand through increased credibility and personalized care.

However, considering how complex operating veterinary clinics is, and how high customers' expectations are, this will be a major challenge for the online retailer. I believe there is potential, and I am curious to see how this will turn out.

<https://petbusinessprofessor.com/petmarket/petmarketsegments>



WHAT IS THE NEW AMAZON SKU ECONOMICS REPORT AND WHY IT CAN HELP YOU

You can often read on Amazon Seller forums, on Reddit, or other online boards about new entrepreneurs selling on Amazon who can't figure out why they aren't making as much money as expected, or even why they are losing money. After all, they buy widgets for \$3 in China that they resell for \$15; how are they not making bank?

The world of business, e-commerce, and Amazon can sometimes be rough on beginners. And, to be fair, Amazon can make it even more challenging to understand where your money goes.

The fees change every year, new fees appear while others disappear. Some are even challenging to keep track of due to their convoluted structure (Hello, low-inventory fee).

Fortunately, Amazon has released an interesting feature: the new SKU Economics Report, designed to help sellers evaluate their costs and profitability per item. So let's take a look at this new tool and how it can assist you.

WHY I LIKE THIS NEW SKU ECONOMICS REPORT

For those of you selling on Amazon, this report can be found here : <https://sellercentral.amazon.com/sereport>

You can generate a report for a specific marketplace and a timeframe of your choice. The tool allows you to select the data you want in your report before making it available for download. This report is an Excel file that might seem a little intimidating with over 40 columns. However, it is pretty easy to navigate, with each column having an explicit title ("Average Sale Price," "FBA fulfillment fees per unit," etc.). Let me explain why I think this is an interesting tool.

But before that, let me give you some advice: for each relevant fee, add a column that displays that fee as a percentage of the item revenues. A \$5 fulfillment fee isn't much for an item that retails for \$100, but it can be problematic if the item sells for only \$7. This way, the report will become much easier for you to analyze.

No Need for Additional Software

Yes, I am aware that some features already exist in software such as Helium10 that can provide similar information. However, smaller entrepreneurs tend not to subscribe to these software tools until they are more established. Some data analytics enthusiasts like me also enjoy downloading a basic CSV file and working on it, rather than dealing with pre-existing dashboards.

Cost data per SKU

Instead of just telling you the total paid for each fee in a given period, this report breaks it down for each SKU you sell. This is beneficial because it allows you to see which items are performing well and where there might be room for improvement. For example, if you notice a reasonable FBA disposal order fee across your entire account but a high fee for one item, there might be an issue with that specific SKU. You may want to investigate why or talk to your supplier to see if you can extend the item's shelf life if it has an expiration date.

It is also convenient when it comes to advertising data. If your campaign structure is complex, this report will give you a straightforward overview of your ROAS. However, each case is unique, and there may be various reasons why some numbers don't meet your expectations. This report will not provide all the answers you need but is a good starting point for any investigation.

Custom Time Frames

The report allows you to choose custom time frames. With a bit of work in Excel or with other tools, you can easily compare your costs and profitability between different periods. For example, if you launch a product in January, you may not be profitable due to higher advertising and storage costs. However, a few months after its launch, it can be interesting to compare the financial data to see if the product is finally generating profits.

Note that, unfortunately, the tool only allows you to go back a few months in the past. You won't be able to retrieve profitability data from 2019 if that's what you need.

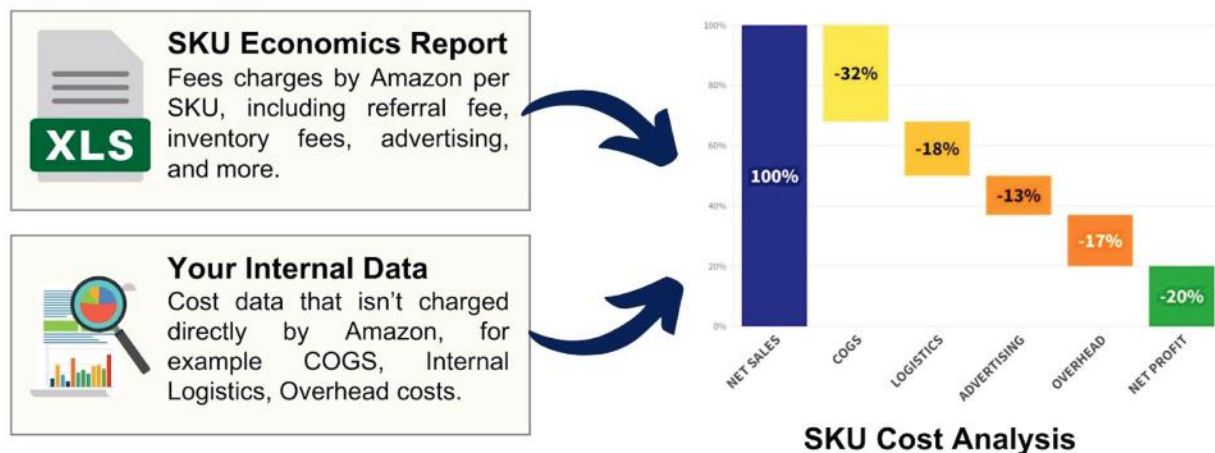
Includes Costs that are Complex to Estimate on your Own

What annoyed me the most about the new low-inventory fee was that the rules were so convoluted that it was challenging to estimate accurately. When it was announced, I had no idea how much it would cost per item. But when I downloaded the reports, I could see the costs for each SKU sold. This was great and made it easier for me to identify which SKUs needed more attention to minimize costs. I believe many sellers will appreciate this new feature for conveniently estimating their costs.

AMAZON REPORT ISN'T ENOUGH : SELLERS MUST UNDERSTAND ALL OF YOUR COSTS

This may sound like common sense to most seasoned entrepreneurs and managers, but I'll repeat it for those with less experience. You absolutely need to understand your costs and revenue structures to succeed in business. I have written a short blog post on expenses that can be overlooked by beginners here: <https://fmaingret.com/2023/06/understanding-the-most-important-ecommerce-expenses/>

Example of a Quick Way to Analyze Costs per SKU



While there are tools that can generate these reports easily, especially for sellers managing large quantities of SKUs, this provide an easy to understand tool for smaller businesses and newer entrepreneurs.

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But basically, for those selling mostly on Amazon, this report can be a good starting point for a more comprehensive analysis. There are data points that only you must include, such as your COGS (Cost of Goods Sold). This includes things such as the cost of producing or buying the product, as well as freight and shipping costs (from your supplier in China to your 3PL in the US, for example, if that's what you do), import duties, and taxes, etc. You can also include costs like overhead costs over a given time period. Essentially, you want a complete picture of how much a product actually costs you.

CONCLUSION

While this new report isn't perfect, and some versions of it already exist in third-party software, I believe it is a fantastic new feature. It allows Amazon sellers to estimate many of their costs, for each item they sell, over a given time period. Understanding costs and expenses is essential for making informed business decisions, and this report can undoubtedly be helpful to many entrepreneurs.



HOW MANY AMAZON SALES ARE TOO MANY?

WHY I THINK AMAZON DOES MORE SALES EVENTS THAN EVER AND WHY IT ISN'T SUSTAINABLE

As a kid, going to a fast-food restaurant was an exciting experience. After all, I didn't get the chance to get a Happy Meal very often, and I was always looking forward to my next visit to Mickey D's. As an adult, however, I couldn't care less. If I crave a Big Mac, I can drive anytime to the nearest McDonald's. That's exactly how many customers feel when a retailer does too many flash sales; it doesn't feel special anymore.

As I explained in a recent LinkedIn post, Amazon seems to keep doing more and more sales events.

We were used to Prime days once a year in the summer, but in the past year, we have also experienced Prime Big Deal days last fall, and now Amazon's Spring sale just ended.

Today, I'd like to discuss this shift in Amazon's strategy. The e-commerce landscape has changed a lot since the pandemic, and Amazon had to update its strategy to maintain its market share. In a second part, I want to discuss the drawbacks of this strategy and how it may affect the e-commerce giant negatively.

WHY WOULD AMAZON PLAN MORE SALES THAN EVER?

Unless you live under a rock, you've heard of Temu. And if you've shopped on Temu, you've probably noticed something interesting: every day feels like Prime days. A major part of Temu's value proposition is the daily ultra-low prices. We now also have Shein, shaking the massive fashion industry with its unbeatable prices and thousands of new designs released every day.

Amazon makes it clear part of their strategy is to offer low prices. It's been the case historically (for example, when Amazon takes the buy box away from sellers that list their product at a lower price on another sale channel), but we have seen recent moves to incentivize sellers to lower their prices. For example, Amazon lowered referral fees for low-priced clothing items and seems to make it very easy for Chinese sellers to list their items on the marketplace.

It isn't surprising that Amazon also organizes these flash sales events more frequently and asks sellers to offer discounts in exchange for increased traffic on the marketplace.

Another interesting reason why Amazon might do it is to retain Prime members. Prime members tend to have a much higher customer lifetime value than non-members. In an era where rising competitors already have their own membership (such as Walmart+), or are in the process of developing one (Target, for example), it is important for Amazon to keep their customer base.

Prime days used to be an exciting event that created a lot of brand awareness for Amazon, and I believe these new sales events might be ways to recreate the old Prime days magic.

WHY MULTIPLYING PRIME DAYS CAN BE A DIFFICULT AND RISKY STRATEGY?

According to a recent PYMNTS survey, 42% of customers did not participate in this Spring sale because they simply didn't know the sale was happening! Going back to my first point in the introduction, it is clear that the more sales happen, the less special they feel.

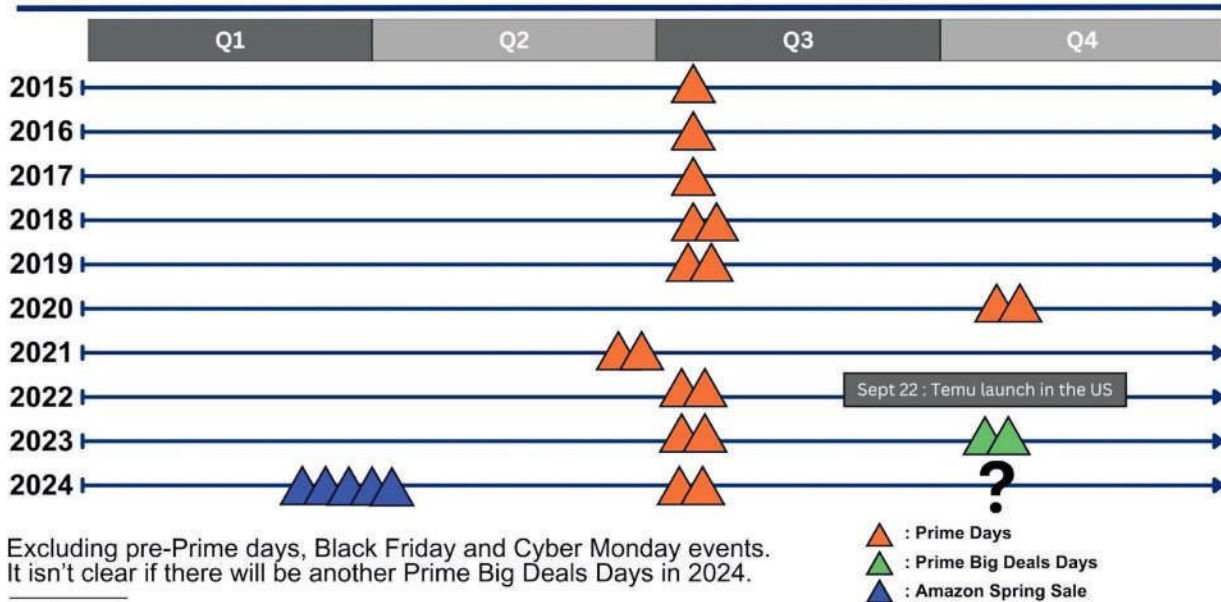
Let's look at the recent Spring sale, which ran from March 20 to March 25. According to the same survey, 28% of U.S. consumers participated in the Big Spring Sale. This is much less than the 64% of consumers who declared shopping on Amazon during the 2020 Prime days. We are now approaching Prime days 2024, and I am looking forward to seeing how they compare to the past editions. The summer Prime days remain the king of internet flash sale, but too frequent sales are confusing for consumers. I believe this is one of the reasons why the retailer Zulily, that abused flash sales, went out of business recently.

Another problem is that Amazon relies a lot on its 3rd party sellers. In Q4 2023, they contributed to 61 percent of items sold on Amazon. And if more and more sellers refuse to participate in Prime days or other events, what can Amazon do?

I'd love to see statistics on this, but I have seen many anecdotal reports of 3rd party sellers seeing little to no return on investment when participating in Prime days.

Amazon's fees are increasing year after year, while the marketplace is becoming extremely competitive. Some sellers are seeing their margin shrink and simply can't afford to offer large discounts.

Amazon Sale Events Over the Years



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One may argue that it is acceptable to sell at a loss for a few days, hoping that customers will come back later and pay full price. But I believe this is a losing strategy in most categories. Many Prime days customers are very price-sensitive and aren't brand loyal. They shop for the best available deals, if a brand increases their price, customers will go to their lower-priced competitors.

Finally, flash sales on Amazon can trigger a response from other retailers like Shein or Temu. We've seen Walmart throw their Holiday Kickoff sale in response to Amazon's Big Deals days. Temu can easily offer even larger discounts during Prime days.

Competing on price is difficult, and while Amazon has a lot of name brand customers' value, off-brand items make up for most of their listings.

CONCLUSION

It is clear that the new sales events Amazon organized are not as special as the original Prime days. Customers now have more options than ever to shop online, and I can see why Amazon wants to keep their attention. However, this can create a confusing experience for customers, and third-party sellers may not be willing to participate like they did in the past. I look forward to seeing how the 2024 Prime days go and how competitors will respond.

<https://www.pymnts.com/news/ecommerce/2024/half-amazon-spring-sale-shoppers-bought-health-beauty-products/>

<https://influencermarketinghub.com/amazon-prime-day-stats/#toc-1>

WHAT ISN'T SOLD ONLINE THESE DAYS?

How New Generations Drive Online Sales of Furniture and Other Large Items



When I moved to Dallas from overseas years ago, I remember renting a truck and driving around the city to pick up cheap furniture at IKEA and from Craigslist to fill my apartment. While I was able to find some good deals, I also remember how sore my back was the next day from moving and carrying heavy stuff all day.

If I had to do it again today, I would take advantage of all the amazing advances made in e-commerce to order most of the furniture online.

It is estimated that the global market for furniture will reach \$873 billion by 2030, with 35% coming from online purchases.

Companies like Wayfair saw a boom in sales during the pandemic. While revenues are down compared to their peak, Deutsche Bank Aktiengesellschaft increased its price objective for Wayfair from \$63.00 to \$79.00. So how come people buy more and more furniture over the internet? And, what are some products available for purchase today that were merely a dream a decade ago?

WHY IS FURNITURE EASIER TO BUY ONLINE?

A recent survey reported that a third of customers aged 25 to 50 are already buying furniture online. One can argue that the younger generation prefers shopping online over going to brick-and-mortar stores. But that can't be the only reason why buying furniture online gained popularity.

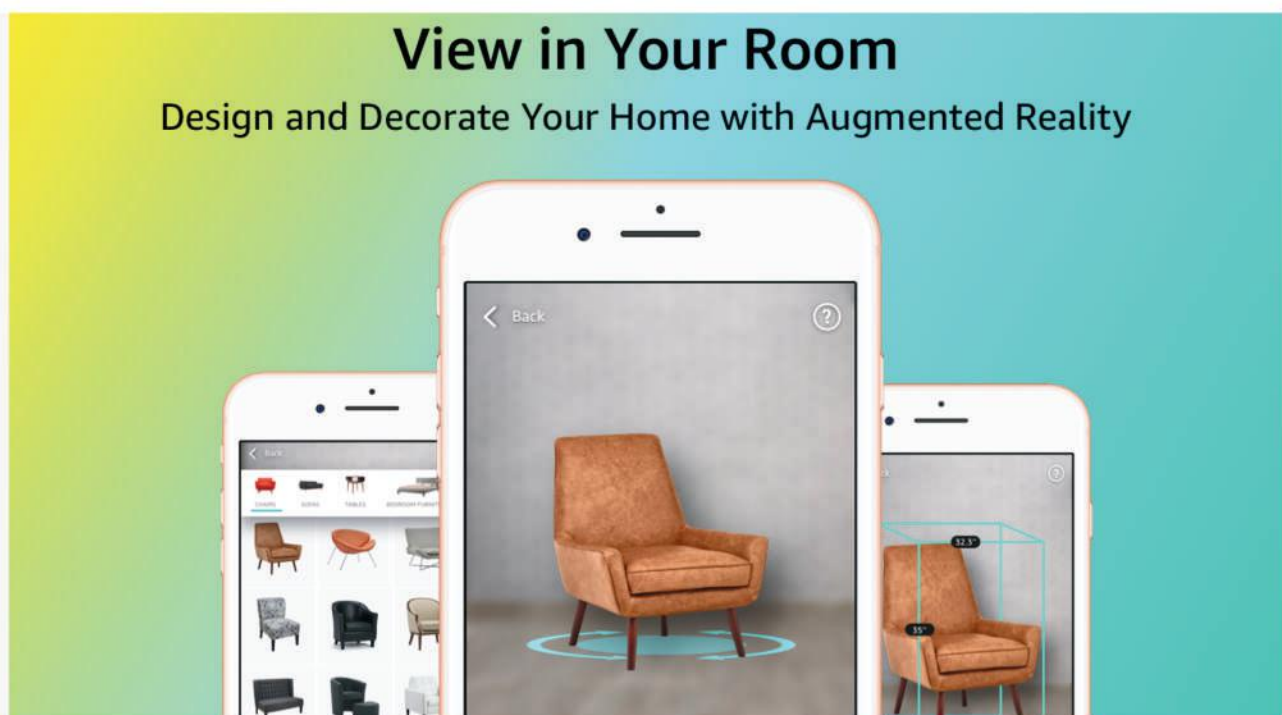
A pain point when shopping for furniture online used to be poor visuals and the difficulty in imagining how the item would look in your house. Of course, thanks to high-resolution pictures and videos, it is easier to see textures and patterns.

But retailers are doing much more to improve their conversion rates. Amazon has a very convenient tool on their app that uses augmented reality and shows on the customer's screen what a piece of furniture would look like in his living room, using the phone's camera.

Finally, customer reviews, but also product reviews on social media, are great tools that can help customers make informed purchases, even on more expensive/complex products.

For brands with retail stores, customers still have the option to see the item in-store and order online. Retailers are putting in more and more effort into omnichannel, making it easier for customers to shop across different channels.

Despite furniture typically being bulky and heavy, delivery is much faster than it was 15 years ago. Returns can still be a problem, and the cost of returns is often a major complaint from customers. But even then, companies like Amazon have very liberal return policies in the worst-case scenarios.



MORE AND MORE ITEMS CAN BE PURCHASED ONLINE

What isn't sold online these days? The most expensive item sold on eBay is a 400ft, \$168M megayacht (<https://inshorts.com/en/news/most-expensive-item-sold-on-ebay-is-a-yacht-1472895517355>). There are now websites that allow you to send a message printed on a potato (<https://potatoparcel.com/>), or to buy Vampire Repellent sprays (<https://www.interwovencollaborative.com/products/vampire-repellent-8oz>).

Beyond these weird items, 15 years ago I never thought I'd be buying fridges, lawnmowers, or large TVs online. But if I can get a better deal than at the store, including shipping and with fast delivery, why shouldn't I?

But it doesn't stop there. Starting in 2024, Amazon plans to revolutionize car buying by letting customers purchase Hyundai cars online directly from its platform. The concept is easy to understand: customers can search for new Hyundai cars, configure them, and complete the transaction directly on Amazon, choosing between home delivery or pickup at their local dealership. We're only talking about one brand here, but I wouldn't be surprised if we could have a broader selection of cars by the end of the decade.

Finally, B2B e-commerce is growing faster than ever, thanks to the new generation of buyers. Millennial and Gen Z buyers don't want to talk on the phone to place an order; they want to shop for industrial parts or heavy machinery like they would shop for socks on Amazon. Last year, Caterpillar sold over \$2 billion worth of equipment online. Most people don't expect this type of company to be so active online, but many are investing more and more in e-commerce.

CONCLUSION

Selling furniture or other expensive and bulky items still isn't as easy as selling cat socks. The sheer size of these items makes it costly and difficult to store and ship. Returns are still a nightmare for many businesses. However, it is clear that customer behavior and expectations are changing. Online marketing and merchandising have made great progress to improve the customer experience. I believe social media marketing will be key for furniture retailers to give customers the confidence to place their purchases online. Finally, a great omnichannel experience could drive more traffic to retail stores, where the average order value is higher.

<https://www.usatoday.com/story/special/contributor-content/2024/04/08/from-the-big-box-boom-to-the-online-shopping-explosion-emerging-trends-in-e-commerce-furniture/73250423007/>



DOC MARTENS DISCOVERS BRANDED KEYWORDS SEARCH ADS

Does Their Lawsuit Against Temu Stand a Chance?

There has been a lot of controversy over Temu, Shein, and intellectual property laws. There are numerous reports of brands and independent designers claiming the Chinese giants have stolen their designs to sell similar lower-priced items online. Recently, the footwear brand Dr. Martens is suing Temu for another reason. Dr. Martens claims Temu is manipulating Google searches to display their product alongside Dr. Martens shoes.

I am not an IP lawyer, but I have some difficulties seeing how this lawsuit stands a chance. While there might be some IP issues with Temu, I don't see this lawsuit going very far, and I'd like to review it from an e-commerce professional point of view. Now, if you are a lawyer, I'd love to hear your opinion as I may miss important details that require extensive knowledge of IP laws.

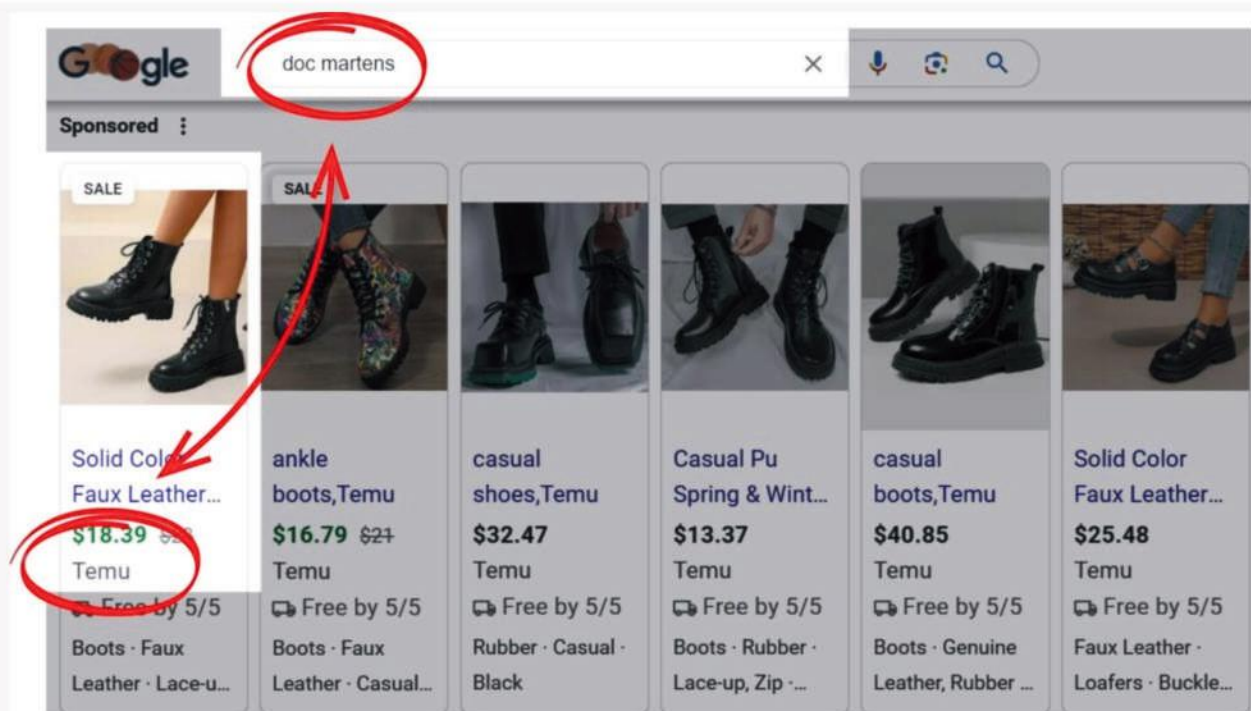
WHAT ARE BRANDED KEYWORDS IN ADVERTISING?

The iconic British brand claims that Temu uses its brand in Google ads keywords, such as “Doc Martens” or “Airwair”, so that Temu’s cheap boots appear above its own in the search results.

Let’s clarify what this means. The ads displayed by Temu do not feature words related to Dr. Martens explicitly. It is when a user searches for “Doc Martens” on Google that ads for Temu may appear, next to the brand’s own products. The ads for Temu’s products display the product as “Ankle boots” or “Faux leather boots”.

While Google prohibits ads that infringe on trademark rights, it does allow advertisers to use branded keywords. Using branded keywords is a very common practice in e-commerce. When you search for “Geico” on Google, it is very likely that the first result you will actually see will be an ad for State Farm or another of its competitors.

As a marketer, you know that there is a chance the person searching for Geico is shopping around for new car insurance and isn’t looking specifically for Geico. In the world of Amazon ads, there is a feature called ASIN targeting that allows brands to design ads targeting specific products, including their competitors.



Furthermore, it isn't clear who is behind these ads for Temu. Temu acts as a storefront for companies that sell their own products. It would be difficult to track who posted these ads, in the case it was established that using branded keywords is violating IP laws.

DOES USING BRANDED KEYWORDS CONSTITUTE TRADEMARK INFRINGEMENT?

First, let's take a look at what actually constitutes trademark infringement. According to a document posted on Harvard's overview of Trademark Law, "the use of a trademark in connection with the sale of a good constitutes infringement if it is likely to cause consumer confusion as to the source of those goods or as to the sponsorship or approval of such goods."

I personally fail to see how using branded keywords in search ads causes consumer confusion. While Temu's products are similar to Dr. Martens in the sense that these are the same product category, none of these ads feature explicitly Dr. Martens' trademarked names. The products look different, have different claims (it is clear that these items are made of different materials), and are sold at very different price points.

The way I see it is that a customer looking for black boots will search for "Doc Martens" because that is the first name that will come to their mind, but could potentially be interested in cheaper, different boots. But that is just my personal opinion, so let's take a look at previous cases.



"The FTC's position follows from case law trends indicating that the use of keywords does not constitute trademark infringement under the Lanham Act."

American Bar Association

Back in 2016, the FTC filed a complaint against 1-800 Contacts, the largest online contact lens retailer in the US. The FTC challenged agreements between the company and 14 of its competitors preventing them from using the keyword "1-800 Contacts" in their search ads campaigns.

The agency claimed that these agreements limited competition and reduced the number of relevant and unambiguous ads for consumers. According to the American Bar Association, "The FTC's position follows from case law trends indicating that the use of keywords does not constitute trademark infringement under the Lanham Act."

The American Bar Association also mentions the case of The Ninth Circuit suing Amazon for the use of branded keywords in search ads. Customers would see ads for competitors' products when searching for the brand name, just like what is happening with Temu and Dr. Martens. The court held that, "[i]n light of the clear labeling Amazon uses on its search results page, no reasonable trier of fact could conclude that Amazon's search results page would likely confuse a reasonably prudent consumer accustomed to shopping online as to the source of the goods being offered."


CONCLUSION

Using competitors' brand name keywords in online advertising is nothing new. There have been numerous cases where the FTC sided with advertisers, claiming that using branded keywords does not create confusion. Now, there could be some technicalities that could change the way this practice is seen in other parts of the world, but I doubt Dr. Martens will be successful. I believe there might be some legitimate intellectual property issues with Temu, especially designs stolen from other designers, but the use of branded keywords in advertising is a fair commercial practice. However, if you have experience with IP laws and see things differently, please let me know, and I would be happy to add more nuance to this review.

<https://us.fashionnetwork.com/news/Dr-martens-sues-temu-over-google-search-results,1624510.html>
<https://cyber.harvard.edu/metaschool/fisher/domain/tm.htm>
<https://www.americanbar.org/groups/litigation/resources/newsletters/business-torts-unfair-competition/keyword-advertising-trademark-infringement/#:~:text=The%20FTC's%20position%20follows%20from,their%20competitors%20in%20keyword%20advertising.>



TIKTOK GETTING CLOSER TO A BAN IN THE US MY TOP 3 CONSEQUENCES FOR BRANDS



Some people say Gen Z will riot if TikTok gets banned in the US. For me, I think business owners and marketing managers have more reasons to be upset. While the major news focuses on geopolitics and the assumed threat regarding data security, I feel that the impact on US businesses is overlooked.

It would be a mistake to assume banning a Chinese app would only have positive consequences for US businesses.

Keep in mind that I am not advocating for or against the ban. I understand that this is more complicated than my small area of expertise in e-commerce. But brands should be aware of the consequences of a potential ban so they can prepare for an uncertain future.

So let's jump to the top three reasons, in no specific order, why I think banning TikTok could seriously hurt some local businesses.

THE CONSEQUENCES FOR SELLERS

LESS ALTERNATIVES TO AMAZON AND WALMART

As you know, the e-commerce landscape in the US is dominated by Amazon. According to eMarketer, Amazon will account for 40.4% of US retail e-commerce sales or a total of \$491.65 billion this year. So much that thousands and thousands of businesses are heavily dependent on the Seattle giant for their survival.

On the other hand, TikTok is not only a unique social media, the relatively recently launched feature TikTok shops has seen impressive success in the US.

A Junglescout study shows that 20% of Amazon sellers are planning to expand to TikTok Shop this year. This doesn't include the brands already selling on TikTok shops.

While there is a large proportion of TikTok shops customers also shopping on Amazon, taking TikTok shop away would limit brands in their ability to diversify their sales channels and rely less on Amazon for revenues.

TIKTOK SHOPS ADDRESSES A DIFFERENT STAGE OF THE MARKETING FUNNEL

Talking about Amazon, it is clear that both channels address different stages of the marketing funnel.

A Marketing Funnel



When customers shop on Amazon, they often have a good idea of what they want. "I need a Barbie costume for Halloween". Sometimes they even know what brand they want, and search for the product and the brand they typically purchase. Customers tend to be already lower in the marketing funnel when opening the Amazon app than when they scroll on TikTok.

On the other hand, TikTok is great for product discovery. People find stuff they had no idea they needed in the first place (the Awareness stage). Or they search for recommendations on some products they are in the market for (Consideration stage). According to another Jungle Scout report, nearly 20% of consumers began their search for products on TikTok in Q1 2023. While 56% of all consumers still preferred to start their product search on Amazon, 40% of the Gen Z demographic preferred TikTok over Google. Amazon tried to offer a TikTok-style shopping feed with its feature Inspire without much success.

B Why Customers Browse TikTok Shops



Source : Jungle Scout Consumer Trends Report Q1 2024

A TikTok ban would decrease the options for brands to address the top of the funnel, and it isn't clear where each brand's TikTok audience will go for product discovery. Instagram (and to a lesser extent Youtube) is an option, but it doesn't feel like TikTok.

Finally, an often overlooked stage is the "Advocacy": people love to share their opinion on TikTok. I am not talking about sponsored posts and ads, but genuine product reviews. A ban would be one less channel for brands to have their product showcased and recommended within communities.

BRANDS LOSING PART OF THEIR AUDIENCE

If TikTok was banned in the US, it would be a pain for the brands that invested heavily in building an audience and a community on social media.

For those working with specific influencers, it could be difficult to pivot to other media if their favorite influencers don't have a strong presence outside of TikTok.

According to social media consultant Matt Navarra, "The level of engagement with their content is hard to replicate the same way on other platforms." He also says that other platforms like Instagram and YouTube offer similar reach, but a TikTok ban could cause anxiety for hardcore TikTok users.

Of course, most brands are active on multiple channels (Instagram, Youtube, etc.), are cross-posting their Reels and Shorts and interacting with their followers. But there isn't a perfect overlap between their audience on these channels, and a ban of TikTok would most likely significantly decrease many brands following.

CAN TIKTOK STILL AVOID A BAN?

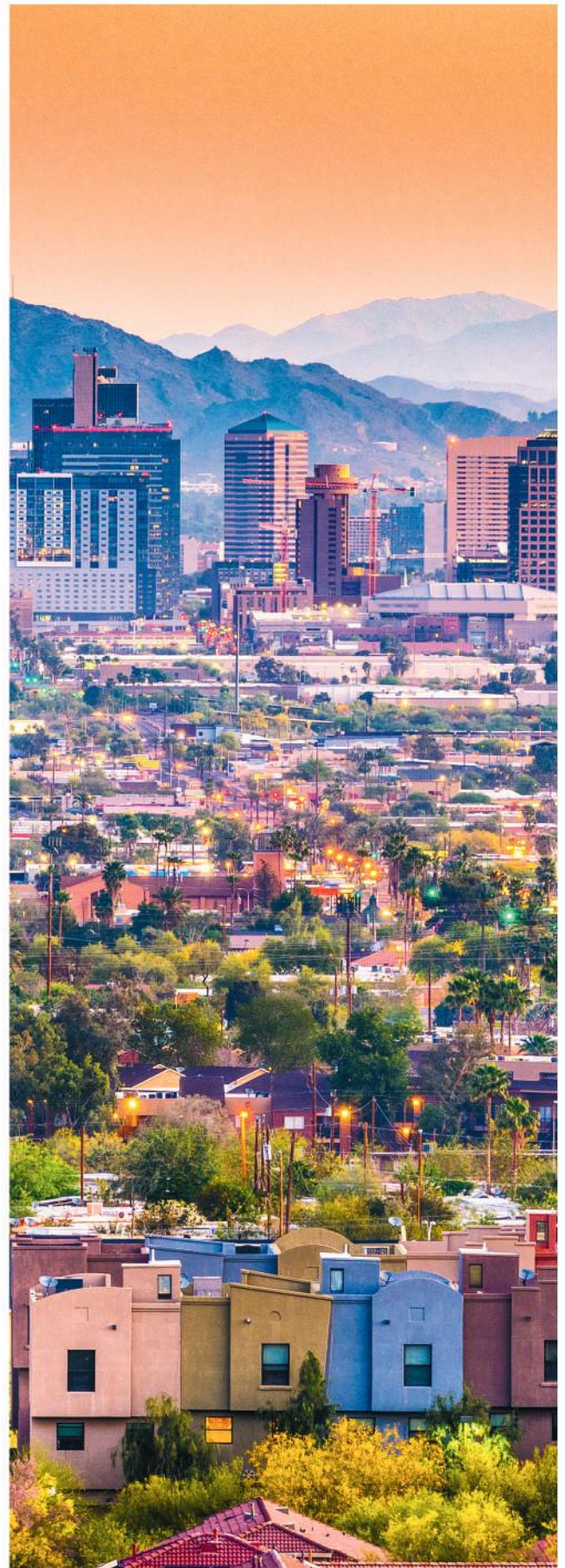
TikTok could potentially avoid a ban if its parent company ByteDance sells it. However, the timeframe to reach an agreement is relatively short at only 180 days. Not only are there concerns regarding the involvement of the Chinese government, the cost of this acquisition would be massive. Only the largest companies like Google or Meta can afford it, but it would be questionable under antitrust laws. Google owns Youtube and Meta owns Instagram, two of the most popular apps for short videos. Other candidates like Amazon, Apple or Microsoft may have a better chance, but some industry experts are skeptical.

As a result, the future is uncertain for TikTok. Brands must prepare for a ban, even if it isn't confirmed at this time. And if it does get banned, the future of e-commerce is also uncertain. Will traffic move to Youtube and Instagram? What media will use Gen Z to discover new products? And what will the typical customer journey look like without TikTok shops? Only time will tell.

<https://www.voguebusiness.com/story/companies/as-the-us-tiktok-ban-advances-what-does-it-mean-for-brands>

<https://abcnews.go.com/Business/tiktok-avoid-potential-ban-sale-buy/story?id=108075804>

<https://www.businessinsider.com/senate-passes-tiktok-ban-2024-4>



ETSY Q1 EARNING CALL REVIEW

Interesting Initiatives but Poor Threat Assessment?

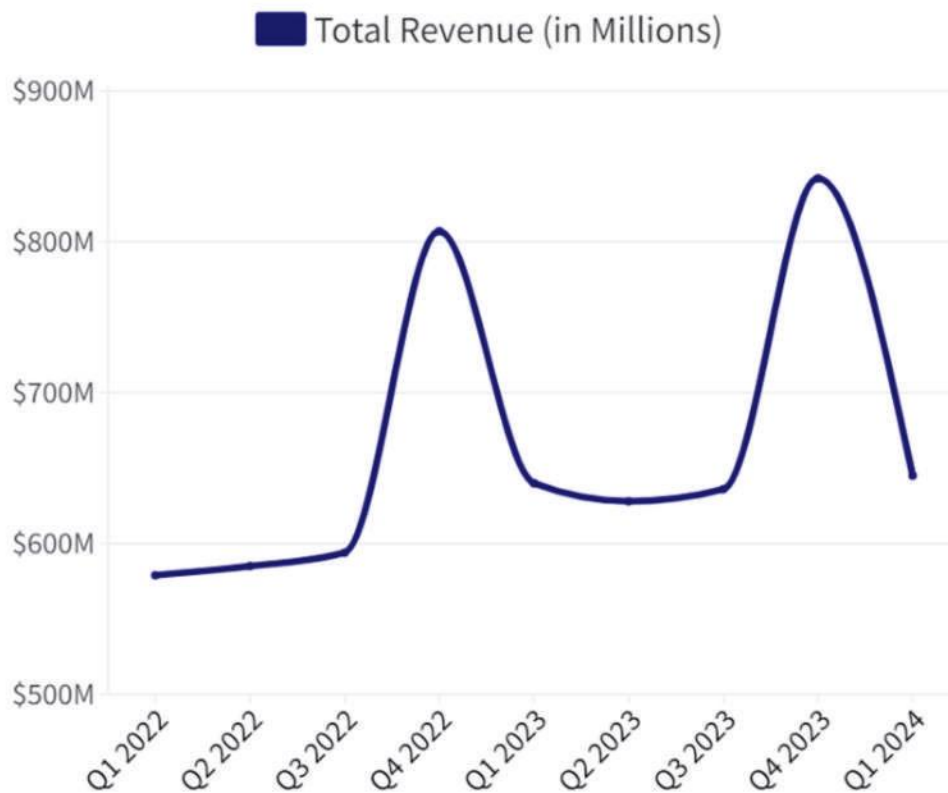
"Etsy? Who cares about Etsy Q1 earning call when we can review Amazon's?" Believe it or not, the world of ecommerce is more than just Amazon. Etsy is a large marketplace that is much more relevant than Amazon for many small business owners. I found that Etsy is working on relevant projects over the last year. And as the competition from Chinese giants is threatening many companies, I thought it would be interesting to see if/how Etsy approaches it.

LET'S START WITH THE FINANCIALS

Let's start by quickly going over the financials. According to Etsy CEO Joshua G. Silverman, "Etsy's consolidated results, while within our guidance range, were not where we wanted them to be." While Etsy revenues seem to be increasing in the long term, the earning call pointed out that "GMS was just shy of \$3 billion, down 3.7% from last year.

Revenue grew a bit up 0.8% to \$646 million, and we delivered \$168 million in adjusted EBITDA, a very healthy adjusted EBITDA margin of approximately 26%."

The disappointment came from Etsy GMV, which is down 5.3% YoY. While the number of active buyers is at a high of 92 million, it appears that the average order value is down, driving GMV down as well. Joshua Silverman explains that "these trends are cyclical rather than structural" and tells us about macroeconomic conditions, including the "high cost of money", and customers having less disposable income after paying for necessities. He proceeds to tell us that other marketplaces are doing better because they sell necessities at low prices. I agree to some degree, but I think an important factor is missing from his analysis. More on that later.



GIFT MODE AND THE PARADOX OF CHOICE

It is a hot summer day. You're craving ice cream, and your freezer has vanilla or chocolate. Unless you're like me and you get a scoop of each, it isn't hard deciding between the two. Now let's say you walk into an ice cream store and they have literally every flavor you can think of and more: triple fudge brownie, avocado swirl, wasabi, fried chicken, etc. That is the paradox of choice: the more options you have, the more likely you are to end up in a mental flavor frenzy rather than enjoying your scoop. And it is easy to experience that on Etsy, when customers are offered with a large number of items in each category.

Enters Gift Mode, one of Etsy's recently launched features. Gift Mode uses human interaction and machine learning algorithms to display a curated selection of products to visitors shopping for a gift. It feels like going into a gift store and telling the sales clerk who you are shopping for and what your criteria are. As an Etsy customer, I find the shopping experience fantastic and very helpful. As Mother's Day is coming, I can see this feature making a difference, and I really think it adds value to Etsy. I am hoping it will make a difference in conversion rates.

Gift Mode makes gifting extra-easy

Extra-special gifts for anyone



Get inspired! Popular gift ideas →



“CREATING CLEANER SHOPPING AISLES” VERSUS CREATING AD SPACE

As Etsy CEO explains, “We stand for keeping commerce human and believe that doing this in a way that no one else can is our most important competitive advantage. We’re focused on creating cleaner shopping aisles for buyers.” This makes sense to me, and I am looking forward to seeing how these new initiatives contribute to the marketplace’s success in the long run.

He continues: “All too often, when you visit Etsy, your search is cluttered, showing you too many items that feel very similar, increasing cognitive load while failing to highlight the incredible diversity that is a towering strength for Etsy.”

While this sounds great, I took the time to review Etsy’s financials and found that its share of revenues coming from “Services” is getting larger and larger.

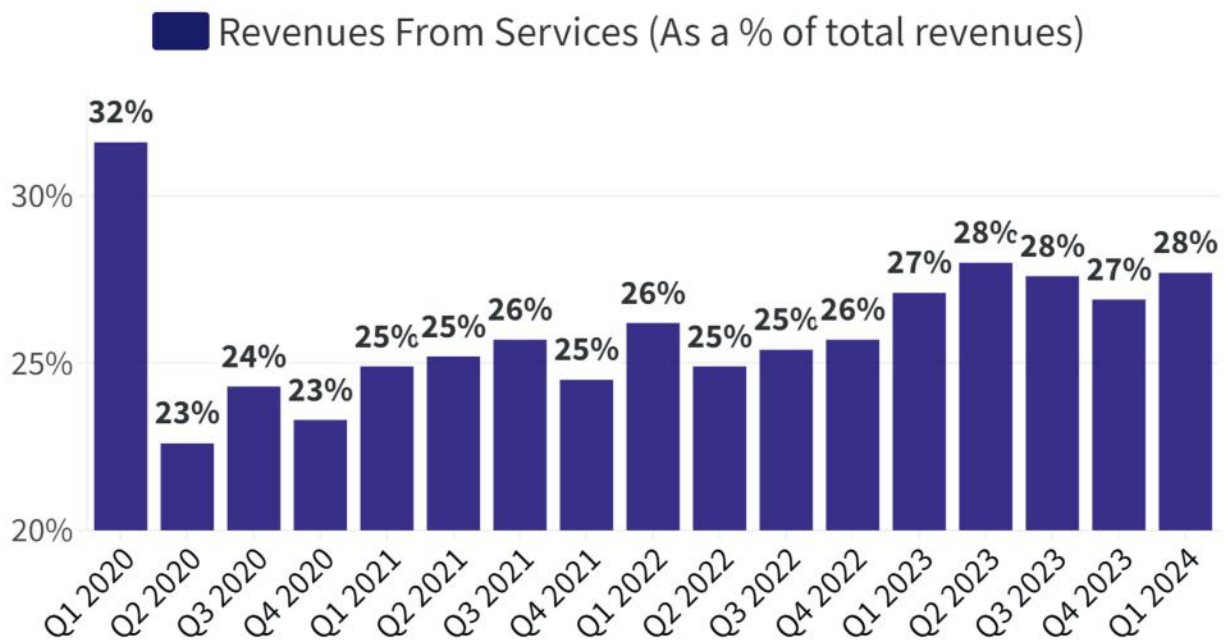
My concern is that revenues from ads are increasing, meaning that potentially 1 – Etsy is charging more for ads and is squeezing its third-party sellers and/or 2 – Etsy is dedicating more ad space in the search results, resulting in a less than ideal customer experience. We have seen this trend with Amazon: it isn’t uncommon that half of Amazon’s search results are ads, making it difficult for customers to find the most relevant product. The FTC has an eye on these practices, as I explained in past articles. If that is the case, it would go against Etsy’s efforts to “create cleaner shopping aisles for buyers”.

Rachel C. Glaser, Etsy CFO, briefly mentions ads later in the call: “During the quarter, we continued to enhance Etsy Ads.” However, it isn’t clear what Etsy’s long-term strategy regarding advertising is.

”

“All too often, when you visit Etsy, your search is cluttered, showing you too many items that feel very similar, increasing cognitive load while failing to highlight the incredible diversity that is a towering strength for Etsy.”

Joshua G. Silverman, Etsy CEO



TAKING THE TRASH OUT

Too often in earnings calls, I hear companies use “AI” and “Machine learning” as filler buzzwords, without disclosing exactly how these technologies bring value. However, in Etsy’s case, I found it much more relevant. Joshua Silverman explains “We’re doing more than ever to suppress and remove listings that violate our policies.

And advances in ML have been particularly powerful as enablers here.” Now I admit I don’t know how bad the situation is on Etsy. But removing low-quality listings can definitely improve the customer experience while also making a better experience for legitimate, high-quality sellers.

When Silverman suggests that “Our improved enforcement capabilities have resulted in the cumulative removal of millions of listings and tens of thousands of active sellers.”, I can imagine that the situation was pretty bad. I find it great that Etsy CEO is addressing this issue in the earnings call, as this can be extremely frustrating for both buyers and sellers on a marketplace.

WHAT ABOUT TEMU/SHEIN?

I was really interested to hear Etsy's response to Maria Ripps questions on the competitive environment. She explicitly expresses her concerns on Temu's strategy, and asks: “So as we start to sort of lapping that, do you anticipate maybe a more favorable or maybe a little bit more stable competitive backdrop? Kind of, is that becoming less of a headwind as we move through the second half of the year?”

Etsy's CEO response is that they “think that the Chinese competitors are more symptoms than a root cause. [...] Consumers feel really pressured and so they are seeking value in deep discounts and deep promotions.”

That is a good point. However, he later concludes “The more that they find really, really cheap and really disposable things, I think the more they will crave an alternative to that and we're bound and determined to use this moment to get even stronger as that alternative”.

I think two key pieces are missing here. First, how much do customers value craftsmanship over cheap items? If someone is shopping for jewelry, are they willing to spend \$10 more to get it from a small business if they see a similar design they like on Temu?

I like that Etsy is removing low-quality sellers and listings and working towards making the website more “trustworthy”, where handmade items are actually made by skilled creators rather than purchased for cheap in bulk and branded “handmade” after taping a fancy-looking sticker to it. But even then, are customers really willing to spend more to support small businesses? What people say and what they do is often a different story, as we have seen with people saying they want a more sustainable alternative while they buy clothes from Shein.

“

“The more that they (customers) find really, really cheap and really disposable things, I think the more they will crave an alternative to that and we're bound and determined to use this moment to get even stronger as that alternative”

Joshua G. Silverman, Etsy CEO

More importantly, the main issue I don't see addressed here is the intellectual property issue, and the numerous reports from small businesses and independent creators on Temu/Shein allegedly stealing their design. This is in my opinion a huge threat for Etsy, one they must take seriously.

It can create a very confusing experience for customers, and some of them won't see a reason to not get the cheaper item from a Chinese website. In the long run, this can cause many of these sellers to go out of business or to offer a much smaller assortment of items. Now, fixing this issue is easier said than done, but I really believe it can't be ignored by Etsy management.



The Reader Tote Bag

Worry around all your favourite books, your groceries or your everyday things in this dreamy tote! Perfect for a picnic at the park or the market on a sunny day. Also a cute gift to your friends, family or loved ones.

The Reader Tarot Inspired Tote Bag

€13.99

Colour

Select

Quantity

1

Add to Cart

Buy Now

Shipping Info

Current shipping estimates:
The Netherlands - 1 to 5 business days



Left, a screenshot from Leora Aileen's website, a small business owner. Right, the same design on Temu. Source : Time.com

CONCLUSION

Don't expect me to tell you whether you should buy Etsy stock or not; there are people way more qualified than I am if that is what you are looking for. Plus, I'd feel bad if some of my readers lost money in the stock market after taking my advice.

What I can tell you is that Etsy seems to be focusing on the customer experience seriously, with great innovation such as "Gift mode", and the initiative to remove low-quality offers.

However, my main concerns are the intellectual property issue, which can definitely deter sellers from selling on the marketplace, and the growing % of revenues from services.

Ultimately, I enjoy looking at businesses like Etsy or eBay, which really bring something unique to the e-commerce landscape. Let's see how things go for Etsy, but you can be sure I'll be using it for gift ideas.

<https://investors.etsy.com/financials/quarterly-results/default.aspx>
<https://time.com/6342387/temu-copy-work>

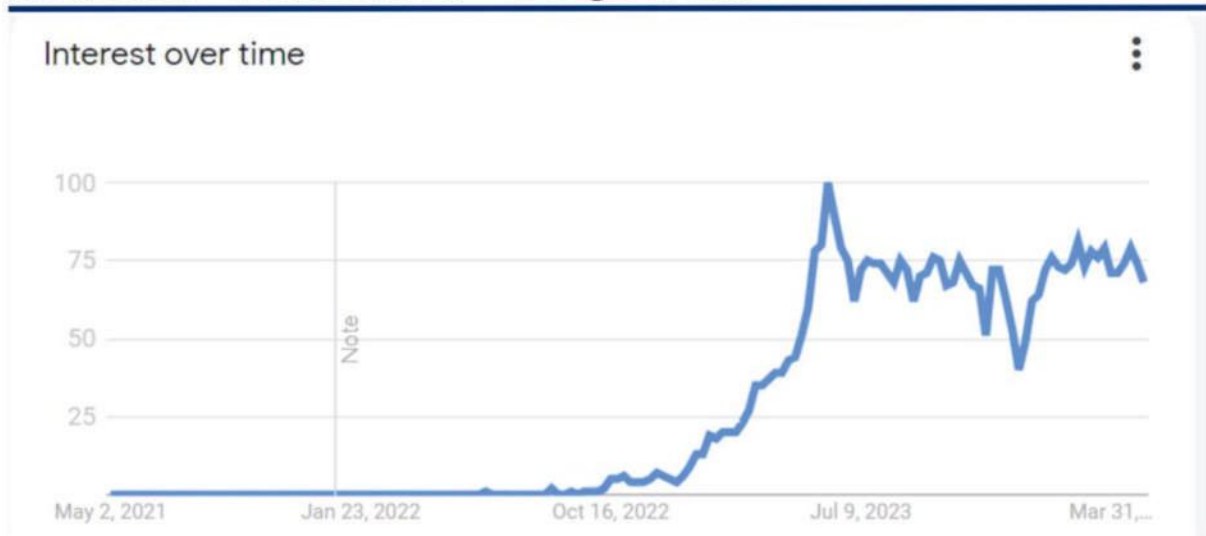


HOW GENERATIVE AI IN PRODUCT DEVELOPMENT CAN IMPACT THE CUSTOMER EXPERIENCE

We've all used generative AI to do our homework, write an email, or create marketing assets. But the technology is much more than that. When I first tried ChatGPT, I wondered how it would impact e-commerce. Before I thought of copywriting or improving images, I thought that we would very shortly see Amazon saturated with AI-generated books.

What I didn't realize was how much generative AI would impact product development. AI can help easily generate thousands of logos, images, mockups, or even memes. This is definitely a game changer for everything print-on-demand. I have even heard of board games designed using Gen AI to help with game mechanics ideas, write the story, design visual game components, and test the game.

Interest for “Generative AI” - Google Trends



Source: Google Trends
fmaingret.com

The article linked below focuses on the jewelry manufacturer and how they use AI to help in creating new items and saving weeks of work. “He can even ask it to produce 50 iterations from that single prompt. In return, the generative AI will output complete designs, some of which might be ready to turn into tangible products.” While the technology has its limits (for example on the physics involved and how to generate “feasible” products), I can see how useful it can be.

As a consequence, I believe this can contribute to making major online marketplaces even more crowded. I am thinking Amazon, of course, but also Etsy or eBay. As I explained in my recent post on Etsy, I think some companies will have to fight the “paradox of choice”, as the decision process for customers keeps getting more difficult. Generative AI can offer more options and make it very difficult for customers to pick one, thinking there is always a “better” option one click away.

Fortunately, new technologies can also facilitate the buying decision by providing personalized recommendations. I like how Etsy now uses a mix of human expertise and machine learning in its Gift Mode feature to show customers a curated assortment of items.

Maybe the challenge of quantity vs. quality of options will contribute to widening the gap in customer experience between marketplaces and D2C websites. Maybe what Trader Joe did in retail can be relevant online. Either way, I am curious to see where this is going and what the next step will be when it comes to product development. Another guess is that it will lower barriers to entry in many industries, turning blue oceans red.

<https://www.digitalcommerce360.com/2023/10/02/generative-ai-design>

SELLING USED CLOTHES ONLINE IS HARD

CAN EBAY ACQUISITION OF CERTILOGO HELP SELLERS AND CUSTOMERS?

When I was a kid, my dad would take me to flea markets and garage sales every other weekend. I loved it because I could always find a cool toy for very little money. A few years later, as a teenager, I started looking for things I could resell for a profit. It was exciting and helped me make a little money to go out with my friends, but I had to stop when I got busy with college.

Fast forward a few years, while the ultra-fast fashion and disposable clothes from Shein often make the headlines in the news, recommerce is bigger than ever. Vinted revenues are growing year after year. Even Tiktok launched a new 'Preowned Luxury' category. Last week, eBay, one of the main channels for second-hand items, announced an interesting innovation for their clothing category. I think this is a great opportunity to go over this new feature, and review what the challenges are for small businesses in the pre-owned fashion industry.

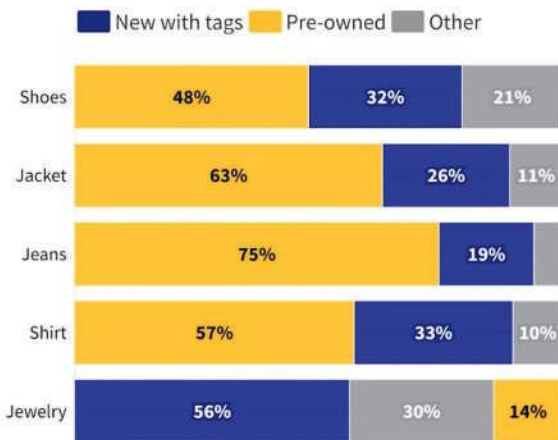
WHAT IS CERTILOGO AND HOW CAN IT HELP EBAY SELLERS?

eBay announced the launch of "resell on eBay", a feature that will facilitate the listing process for used clothing. It will use technology from Certilogo, which provides digital ID and authentication for clothing. A seller scanning the code on the clothes label will trigger the creation of a prefilled listing with information on the item. The seller can then edit the information before offering the listing to customers. According to Certilogo CEO, "This new 'resell on eBay' feature was a natural next step for Certilogo's innovation and product evolution."

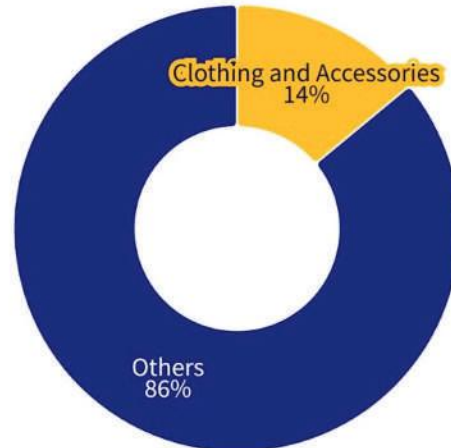
It appears that clothing is a significant part of items sold on eBay, at 14%. I have not found data on the condition of clothes, so I did compare the number of listings for each condition for some popular search terms. While the company states that 80% of the items on its platform are new and have never been used, fashion-related products seem to be pre-owned most of the time, with the exception of jewelry.

A Large Part of eBay Clothing Items for Sale Are Pre-Owned

Condition of fashion-related items on eBay.com



Categories by Percentage of Item Sold



Based on the number of search results for each of these items on eBay.com, as of 5/28/2024 (left)
Source (right): Edison Trends

fmaingret.com

It makes sense that eBay wants to facilitate the process of listing used clothes. Not only does it make a significant part of the items sold, pre-owned fashion items are a growing market. I discussed it in a previous article, where I talked about the growth of Vinted revenues.



Source: ECDB, Statista

Yes, Shein is currently much larger than Vinted. But it is clear that many customers tend to favor high-quality pre-owned items over disposable new clothes from Shein.

The Certilogo system also allows eBay and their customers to ensure product authenticity. Customers don't go to eBay to buy used ultra-fast fashion items, they tend to be looking for name brands or even luxury items. Authenticity is especially important for these high-end items and the technology can serve as a way to avoid counterfeits.

Now the issue is that tags must be on the clothes. As of now, it isn't clear how many brands are using this type of scannable code, so the technology can't be used with every item. As of now, it appears that Certilogo's platform is already used by more than 80 fashion brands, which is a good start. Hopefully, similar technologies will be used by more brands in the future.

THE CHALLENGES OF SELLING SECOND-HAND FASHION ITEMS

In addition to helping with authenticity and avoiding counterfeit items, technologies like Certilogo can help sellers address another issue when selling used clothes, the listing creation.

Typically in ecommerce, a seller will create a listing per SKU (even for variations, it takes work to add each variation on a product page). Once the listing is created, the only limit in sales it can generate is how much stock the seller has. And the seller always had the option to order more inventory for their supplier.

When selling pre-owned goods, sellers almost never have more than one unit of each product (same item, in the exact same condition). This means that each physical unit requires its own listing. It is obviously very time consuming for sellers, especially if they need to upload pictures of potential defects on the clothes, like holes or stains. Certilogo technologies can help speed up this process and save valuable time for sellers.

Other challenges sellers may face are sourcing, as it can be difficult to find steady and reliable sources of pre-owned items. Pricing can also be a little tricky, especially if sellers manage a large assortment of products. They must consider competitors' items, but also the item condition. Finally, due to the item's condition, some sellers may experience higher return rates or more customer service requests, which can also be time consuming.

On eBay's side, the company has to ensure products sold on its marketplace are legitimate, and get rid of scammers and counterfeit sellers. eBay is also competing with other marketplaces, and offering new features to sellers can help them gain market share.


CONCLUSION

While Shein is bigger than ever, the market for second-hand clothes is also on the rise. eBay has millions of listings for used clothes, and seems to be trying to attract more sellers and customers. The partnership between Certilogo and eBay is a good step towards facilitating the listing of products by sellers, while helping with customers' trust. Being a frequent eBay shopper, especially for used clothes, I am hoping that we will see more similar initiatives like that, improving the quality of listings. But beyond that, I like that this partnership also favors more sustainable alternatives to fast fashion items.

<https://www.digitalcommerce360.com/2024/05/16/e-bay-releases-new-reselling-feature-with-certilogo-digital-id/#:~:text=EBay%20Inc.%20announced%20a%20new,EBay%20acquired%20Certilogo%20in%202023.>



SELLING PRIVATE LABELED ITEMS FROM ALIBABA ON AMAZON IS THE FAST LANE TO FAILURE



I recently saw an intriguing article in my recommendations. It was a guide on how to find products on Alibaba to resell on Amazon. I wondered why Google would recommend articles from 2017? But no, the article was published recently by a major company that sells market research software.

I get it, everyone is looking for the easy, quick, and risk-free way to get rich. And people have been selling that dream since commerce was a thing. We've seen it with dropshipping, with "Alibaba to Amazon" private labeling, or with the millions of pyramid schemes out there. Hell, I am sure people in ancient Greece were selling courses on investing in olive oil and wine.

Even though the article doesn't present itself as a "get rich quick" guide, I found it overly optimistic. I don't blame the company; it was well-written and probably does a great job at selling their software. And it isn't misleading either; there is a lot of good and useful info in there. But because I know there are aspiring entrepreneurs reading my content, I'd like to discuss the risks of this strategy. The market has changed drastically since people started selling products sourced from Alibaba on Amazon, and I think it is necessary to understand these changes.

MORE AND MORE NICHE ARE GETTING SATURATED

Amazon is forecasted to represent 40% of all US ecommerce sales in 2024. Their marketplace attracts millions of customers every day. And they made it extremely easy for people to start selling on their platform.

As a result, thousands of sellers are joining Amazon every single day. And it isn't much different from Onlyfans: people think it is easy to make millions selling pictures of their feet, while in reality, only a very small percentage of people can make a living off selling content. On Amazon, only 6% of sellers are doing over \$50,000 in monthly sales, and 2% do more than \$100,000. So the market is extremely saturated and competitive.

You might object, "But I'd be okay making \$50,000 a month, or even less." Here comes the second problem with Amazon: profitability.

Let's go back to Alibaba for a second. As you probably already know, this website allows you to find suppliers and manufacturers for all kinds of products: camping tents, water bottles, coloring books... Even questionable trademarked items like Dallas Cowboys socks, or purses that are strangely similar to luxury designers items. If you can buy these items, anyone can. Which contributes to "commoditization": the process of turning once unique products or services into standardized items for consumers, where the main differences are pricing and customer service (customer service is almost irrelevant on Amazon, as the platform does it for you most of the time). And as you can expect, the more sellers are listing an item, the lower prices (and profitability) become.

Average Current Sale Price of Massage Guns Released Before Date on Amazon.com And Number of Listings for the Keyword "Massage Gun"



Sale price as of 1/23/24 on Amazon.com.
Based on the top 200 listings for the keyword "Massage gun"

fmaingret.com

Let's look at an example from an article I published months ago. In five years, the number of listings for massage guns went from one to over 200! And as time goes, new entrants list their products at lower and lower prices. As of 1/1/24, the average price of massage guns is \$92.

Sellers who released their items in 2020 are now (as of today) selling their product for about \$98. The difference in prices may not seem obvious, but let me show you another chart to evaluate how this increased competition forced the first sellers to slash their prices.

Evolution of Sale Price for the Top Five Bestselling Massage Guns on Amazon.com

Prices are indexed to 100 based on the first available pricing data (★)



The chart shows a rolling 30-day average of the estimated daily sales for each product.

The products included are the top five in terms of estimated monthly sales for the keyword "Massage Gun" as of January 23, 2024.

The data reflects the estimated monthly sales in USD for the most popular variation of each product and is not based on sales rank.

fmaingret.com

The five stars on the chart represent the top 5 selling massage guns, when they were launched. At launch, they were selling at 100% of their initial listing price. As of 2024, they sell for an average of only 63% of their initial listing price. In other words, they had to discount their price by 37%. Not to mention that in recent years, inflation increased all of their costs, from logistics to advertising, and probably even their Cost Of Goods Sold.

At this point, you may argue that many sellers are using skimming pricing strategies to maximize their profit and find the right price point. I agree that in some cases, skimming is an effective strategy.

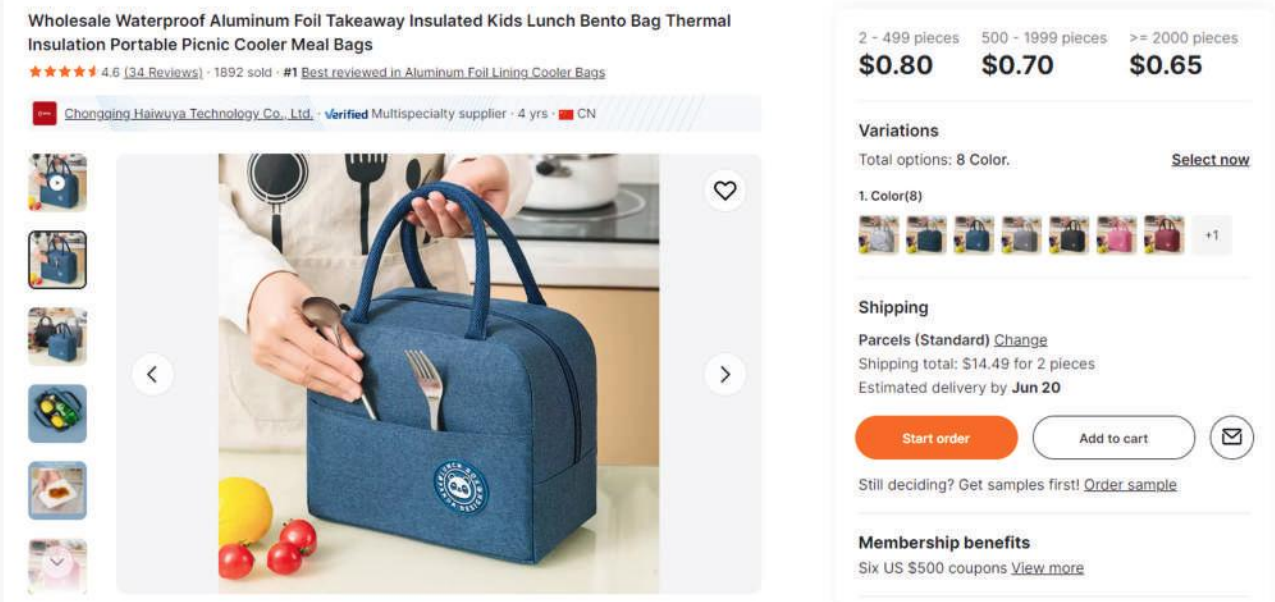
But I believe that in many niches, it's been a race to the bottom. To prove my point, let's look at something even scarier for sellers.

YOUR MAIN COMPETITOR JUST BECAME A LOT SCARIER

Up until recently, buying items on Alibaba to resell them on Amazon was a relatively safe strategy. Asian manufacturers and trading companies would provide the goods, and ship them to Amazon fulfillment centers and US merchants. Everything changed during the pandemic when more and more Asian suppliers started selling directly on Amazon.

I won't get into the theories that many US entrepreneurs share about Amazon favoring Chinese sellers over local businesses. But you can guess what the consequences are: you can't compete on pricing with your own supplier. Let's take the fictional example of Joe, a new entrepreneur wanting to resell items from Alibaba on Amazon.

We've all noticed that fast food prices are through the roof. People are getting tired of spending \$15 for unhealthy food, and I can't blame them. Joe believes more and more people will start taking their own lunch to work: selling insulated bags to carry lunch might be a good opportunity. Joe finds that the market isn't too competitive for now. He researches products on Alibaba and finds this one for \$0.65 to \$0.80 per unit.



Wow, if he can sell it for \$20, that is a gross margin of over 95%! How can you not make money with killer margins like that? He did his research and found he would make a 54% operating profit, over \$10 per unit sold.

After running the business for a few weeks, he realizes a few things:

- There are extra costs involved, such as shipping the items to the US, and storing them.
- His sales are slower than expected, so he started running PPC ads to increase them and get more reviews.
- These damn customers are never satisfied, and some return the items. He estimates that this is costing him about \$0.80 per item on average.

Gross Sales		\$ 19.99
Expenses	Cost Of Good Sold	\$ (0.80)
	Referral Fee	\$ (3.00)
	FBA Fees	\$ (5.37)
Operating Profit \$		\$ 10.82
Operating Profit %		54%

After accounting for these expenses, his operating profit is actually 33%, or \$6.67 per unit sold. That is less than expected, but still enough to pay his bills and to fund his business expansion.

However, after selling his lunch bags for a while, Joe noticed that his sales suddenly dropped. This is when he realized that another seller created a listing with a very similar item, at a much lower price:

Gross Sales		\$ 19.99
Expenses	Cost Of Good Sold	\$ (0.80)
	Inbound Shipping	\$ (0.60)
	Storage	\$ (0.35)
	Referral Fee	\$ (3.00)
	FBA Fees	\$ (5.37)
	PPC Ads	\$ (2.40)
	Cost of Returns	\$ (0.80)
Operating Profit \$		\$ 6.67
Operating Profit %		33%



5.5 L Gray Bear Small Lunch Bags for Women, Portable Insulation Bags, Reusable Lunch Bags, Can be Used for Picnics, Work, etc. (S, Gray Bear)

Brand: SMCINT
4.1 ★★★★★ 333 ratings

\$11.99

Get Fast, Free Shipping with Amazon Prime
FREE Returns

Get \$10 off instantly: Pay \$1.99 ~~\$11.99~~ upon approval for the Amazon Store Card. No annual fee.

Color: S, Gray Bear

Color selection options: \$11.99, \$11.99, \$11.99, \$11.99, \$17.99, \$17.99, \$11.99

How could they list at \$11.99 while his price is much higher? He doesn't understand how this seller could make a profit, until he realizes where the company is located.

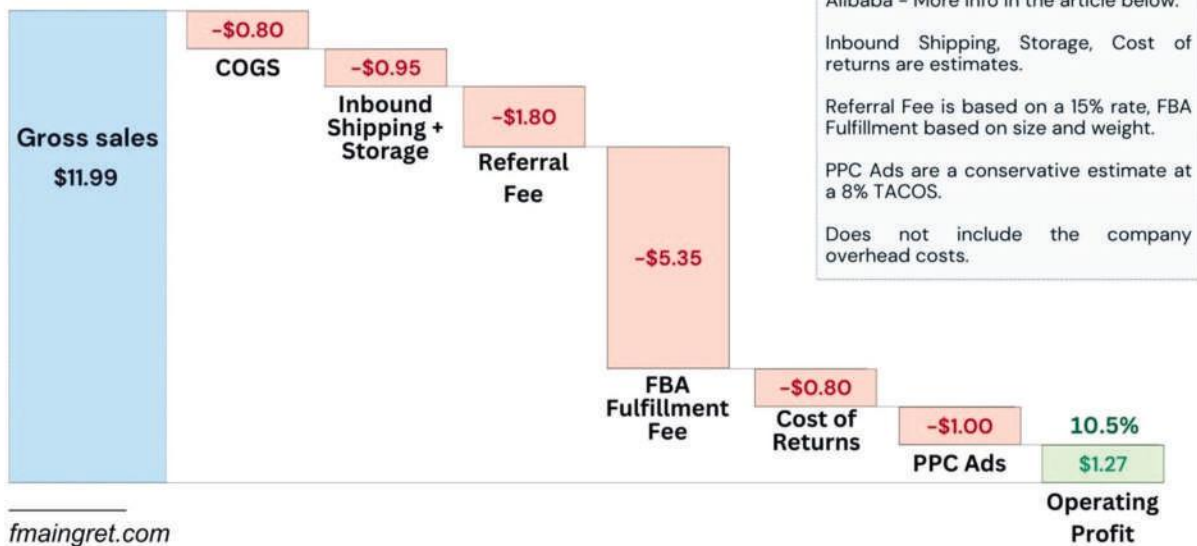
Joe is actually competing with a seller based in China. It isn't clear if this is his supplier or a middleman based in China, but they can afford to lower prices and/or to run on much lower margins.

Visit storefront
★★★★★ | 89% positive lifetime (46 total ratings)

Detailed Seller Information
Business Name: 福建省
Business Address: 350101 CN

Commoditized Items Rarely Allow for High Net Margins

Example of an insulated lunch bag



Even with these lower prices, sales keep dropping. Sure, Amazon is saturated with hundreds of types of lunch bags. But there is another reason: Temu. Joe quickly finds out that the same bag is listed for \$3.99 on the Chinese website.

There is no way he can compete; \$3.99 is less than his shipping costs alone. He hopes to quickly get rid of his inventory and will discontinue this product from his Amazon store.

TEMU Best Sellers 5-Star Rated Local Warehouse Categories insulated lunch bag Hello François Main... Orders & Account Support EN

Home > Home & Kitchen > Kitchen Storage & Organization > 1pc Square Bento Bag, Thic...

Medium Size: 26*17*18cm/10.23*6.69 * 7.08in
Navy blue

18cm/7.08in
7cm/6.69in
26cm/10.23in

✓ Free shipping special for you Exclusive offer

1pc Square Bento Bag, Thickened Aluminum Foil Picnic Bag, Insulation Bag, Ice Pack, Hand Wash, Insulated Lunch Container Picnic Bag For back to school, class, college, school supplies, kitchen organizers and storage, kitchen accessories

1.5K+ sold | Provided by (7.4K+ sold) 4.7★

\$3.99 Pay \$0.99 today (88% limited time) \$35.24

Special sale | Ends in 05:11:59:39

Color: Blue
Size: S:9.45*6.69*5.51inch M:10.24*7.09*6.69inch L:11.42*8.66*7.87inch
Qty 1

✓ This item is covered by our Price Adjustment Policy.

Add to cart Almost sold out

This story isn't unique. It is very easy to find thousands and thousands of products that were once doing well on Amazon, but that saw drastic price cuts and decreased sales over the past couple of years.

Manufacturers integrating forward and cutting the middleman reshaped the market in a way that many US sellers should rethink their business model.

IS PRIVATE LABELING DEAD?

To summarize the two sections above, my two main issues with this model involving selling undifferentiated product is that:

1. The barriers to entry are so low that the market can quickly get saturated. From there, it becomes a race to the bottom.
2. The manufacturer can release the same items, making it impossible for middlemen to compete

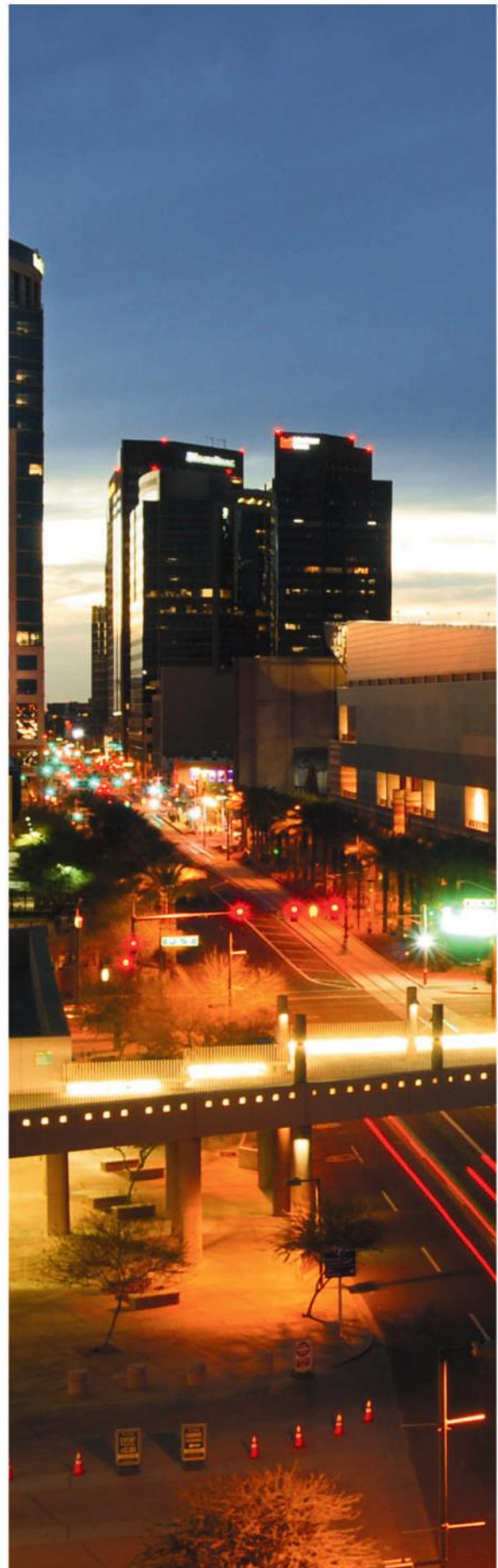
Now there are two points that people promoting this model always mention.

“Items can be branded; you need to build a brand and loyal customer will buy”

Creating a brand with an undifferentiated product takes a lot of time, money, and effort. Slapping a cool logo on product packaging isn't enough, and investing heavily in social media and ad campaigns off Amazon takes considerable effort. Not that it can't be done, but this is very risky.

“This is normal business; you're supposed to always be looking for new products to sell”

Not only is this very time-consuming and exhausting, it is also more and more difficult. More and more niches are getting saturated, and the ones remaining are smaller.



And even if you find one, it doesn't take very long before thousands of new competitors notice and start selling the same product (privately labeled products require little product development time and can be launched very quickly).

Another issue is that you have to buy large quantities to benefit from economies of scale. And the more units you buy, the riskier it becomes. Following this model, it is easy to end up with thousands of unsellable units (or units that must be sold at a loss).

To be fair, I think private labeling items from Alibaba can work in some specific cases. Strong brands can quickly source products to enhance their product range. If a brand sells unique fitness supplements and creates a strong community of customers, they can, for example, source resistance bands in China and add them to their website (or use them as a gift to reward the most loyal customers). Or for brands that can ensure the supplier doesn't work with anyone (hard to find on Alibaba).

CONCLUSION

I understand why some people are pushing this model. After all, it worked well for many people in the past, is easy to understand, and makes sense to aspiring entrepreneurs. It is easy to focus on the success stories, and ignore the thousands of people who failed due to an overly saturated market. A company selling market research software has a strong incentive to teach people about Alibaba. Again, I think their content is good quality and they are knowledgeable. I just believe people considering doing this must understand the state of the market in 2024, and the risks involved. Amazon in 2024 is very different from Amazon in 2016, and entrepreneurs should adapt their strategy to this new environment.





TIKTOK MAKES IT EASIER TO BECOME AN AFFILIATE: GOOD NEWS OR MORE TROUBLE FOR BRANDS?

Are you tired of hearing about TikTok yet? From articles on how TikTok killed our attention span to the potential security threat leading to a ban in the US, the Chinese social media platform keeps making headlines. We already know about its growing impact on American businesses through its influencers and shopping features.

Social commerce is growing year after year, and we can expect the trend to continue following the latest news: TikTok lowers the threshold for content creators to become affiliates. Let's see what this is about and how it will impact brands and consumers.

TIKTOK LOWERS THE THRESHOLD FOR CONTENT CREATORS TO BECOME AFFILIATES

Affiliate marketing on TikTok is a way for creators to promote a brand's products and services on the platform in exchange for a commission or fee. By creating videos with affiliate links, affiliates can earn money by encouraging users to make purchases through those links. Until recently, content creators were required to have 5000 followers before they could earn money through the affiliate program. This threshold was recently reduced to 1000, giving access to the program to many more content creators.

We can speculate on why TikTok made this decision. My first guess is ByteDance, TikTok's parent company, believes they have reached enough engagement on TikTok that they can push social commerce further. The more products are sold through TikTok shops, the more commission the company earns.

This can also attract more people to the platform, lowering the barrier to entry to start generating income

Another guess is that ByteDance believes that having more people depend on TikTok for their income, and giving brands more options to advertise their products, gives them more bargaining power in current lawsuits. It isn't clear if TikTok will push more advertised and affiliate-related content to users' feeds, but this may make getting impressions for existing affiliates more difficult.

WHAT DOES THAT MEAN FOR BRANDS?

As reported in a case study in a Rankster article (linked below) involving over 100,000 affiliates contacted, only 0.67% responded. Even though we can observe wild disparities between categories, it is clear that finding affiliates to work with is a challenge for brands.



Source: Rankster.co

This change gives brands more affiliates to work with, even though they have fewer followers. It is possible that these smaller influencers will result in higher engagement rates.

eMarketer has reported a much higher engagement rate with influencers with less than 50K followers compared to larger influencers.



Engagement Rate on TikTok by Influencer Size

Source: eMarketer

On the other hand, these new affiliates might be less “professional” than the larger ones and more difficult to work with. They could also create content that inadvertently conflicts with the brand’s interests and damages their image. And even though samples are typically inexpensive compared with the potential ROAS generated by affiliates, it may become more costly as brands work with affiliates with smaller audiences. Finally, if TikTok pushes more content created by affiliates to users’ feeds, these users will be overwhelmed with ads, making it more difficult for brands to get their attention. But we’ll have to wait and see how things turn out.

CONCLUSION

In conclusion, TikTok’s decision to lower the follower threshold for its affiliate program from 5000 to 1000 significantly broadens options for brands. This move is most likely intended to increase social commerce revenues and platform engagement. While brands can benefit from more affiliates to choose from and potentially higher engagement rates, they may also face challenges with less experienced influencers. The overall impact on user experience and competition will depend on how TikTok balances affiliate content.

<https://www.emarketer.com/content/tiktok-influencers-far-outperform-instagram-affiliate-engagement>

<https://www.rankster.co/p/tiktok-shop-new-shiny-object-amazon-sellers>

<https://www.pymnts.com/news/social-commerce/2024/tiktok-lowers-threshold-for-creators-to-join-affiliate-program>





JUNE 2024

SHEIN UNDER SCRUTINY IN THE EU

WHY THEIR LATEST FEATURE WON'T CUT IT



If you're reading my content, you know my stance on the fast-fashion industry. Yet, I find it fascinating to observe dynamics between competitors, regulators, and customers. This time, the giant Shein is facing new regulations in the European Union. We can also hear industry experts in the US calling for changes regarding Temu and Shein, for example, on de minimis thresholds. This time, Shein is under scrutiny in the EU, and subject to new regulations. Let's see what these new regulations are about, and why I think the recent measures Shein took in the EU won't be enough to make their model more sustainable.

SHEIN FACES NEW REGULATIONS IN THE EU

While some regulators are calling for measures against Shein, the company is now under fire in the European Union. According to the European Commission, Shein will now need to follow stricter rules under the EU's Digital Services Act (DSA).

With over 45 million monthly users in the EU, Shein is classified as a VLOP, or "very large online platform," alongside Amazon, AliExpress, Meta, and TikTok. This means Shein must meet specific standards for content moderation, user privacy, and safety.

For example, in previous articles, I discussed small creators complaining about the company stealing their designs. Following this new classification, Shein must quickly address the issue of counterfeit products sold on its platform and take measures to prevent it. These new regulations also require Shein to provide transparency reports. Several media reports suggest the company abuses its workers, with mentions of "slave labor" explaining the extremely low prices of their items. European customers also wonder about Shein's impact on the environment, which may need to be addressed.

Finally, the EU is considering getting rid of its €150 de minimis threshold. If you aren't familiar with this concept, the EU's de minimis rule exempts goods below a certain value from customs duties and, until recently, VAT. This benefits Shein by allowing the sale of cheap Chinese products without additional costs for consumers. Shein takes advantage of this threshold by offering inexpensive items with less administrative work. Despite recent changes removing the VAT exemption for goods under €22, Shein remains very competitive and is seen as a threat by local businesses.

SHEIN'S ATTEMPT AT IMPROVING ITS IMAGE AND WHY I AM PESSIMISTIC ABOUT IT

Shein has been trying to improve its image in the EU recently. The company decided to expand its resale program to Europe and the UK. Starting with France, the Shein Exchange resale feature makes it easy for Shein customers to list for resale products they bought previously. I find the system clever, with a "sell" button next to each previous purchase. Some people will see it as "Greenwashing," and it probably is. Even though reselling old clothes is a great way to reduce the impact on the environment, it doesn't address the core problem, and I can't see this model being a success in an ultra-fast-fashion environment.

<https://apnews.com/article/shein-european-union-digital-services-act-fashion-online-56e51fec66278107e99f3e063a2987a4>

With Shein's model, fueled by social media, clothes never stay fashionable for very long. By the time someone wants to get rid of an item, it isn't cool anymore, and customers want the next shiny thing. Even if the item is still desirable, the poor quality of many items sold makes it less likely to be in good condition. Finally, the cost of shipping items will be a large part of the sale price, and I believe many people will prefer buying new items over used ones. The numbers don't lie: while Shein reported that over 4.2 million new U.S. users signed up in 2023, only 115,000 used items were listed for sale. I wonder how many transactions took place, but I have a feeling that there were a lot more sellers than buyers.

CONCLUSION

Shein being classified as a VLOP in the EU and the potential removal of the de minimis threshold may significantly change local market dynamics in the fashion industry. I believe that while fast fashion must be regulated, measures should extend to other actors in the industry. It is a tough challenge for our politicians, as customers frequently report not having the financial means to purchase sustainable clothes. However, improving transparency and reducing the impact on the environment will take much more than the Shein resale platform.

<https://www.retailtouchpoints.com/topics/sustainability/shein-expands-resale-program-to-europe-beginning-with-france>

WHY RETAILERS ARE LAUNCHING THEIR OWN RESALE PLATFORMS

The Case of Decathlon



I can't help feeling angry when I see people throwing out perfectly fine products just to make room for new stuff. Not that I worry about them making easy money from reselling the items, but because of the waste of resources involved, especially when there are so many online resale platforms available. Many focus on fashion-related items, but we are starting to see more for other products.

Only a few days after posting about Shein's resale product, I read about the sport retailer Decathlon's new resale platform for their products. And I thought, it is about much more than just pricing. Thinking about it, I can see many more reasons why companies are starting their C2C resale channels.

DECATHLON LAUNCHES THEIR RESALE PLATFORM

In case you don't know about the company, Decathlon is a French company and one of the largest sporting goods retailers in the world. It operates over 1,500 stores in more than 50 countries and offers a wide range of products for over 80 sports, including their own brands.

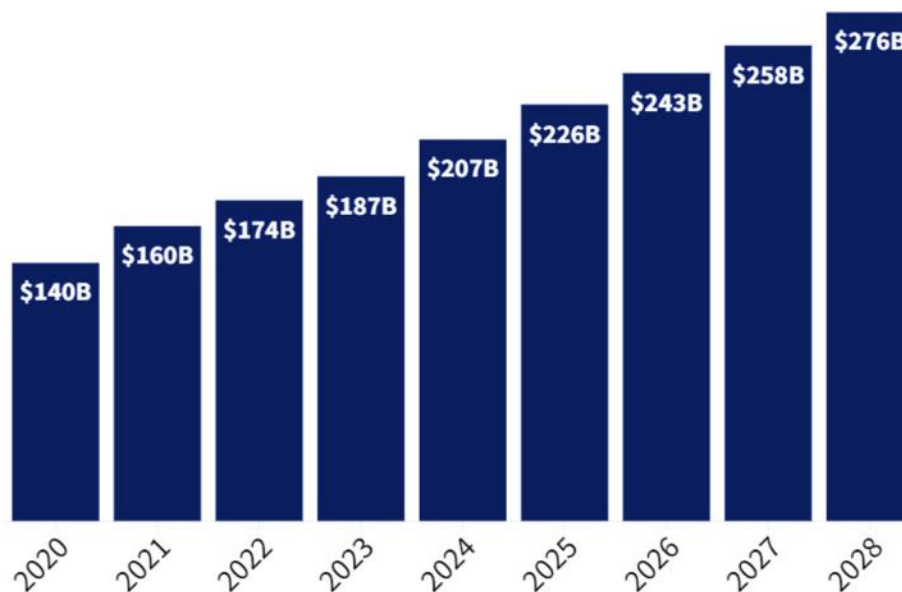
A few weeks ago, the company announced the launch of a resale platform, only in Belgium for now. Decathlon's resale platform allows people to sell their used sports equipment directly to other customers. The process is pretty straightforward. First, the seller enters product details and uploads photos. The listing becomes visible within 72 hours. When a buyer purchases the item, the seller receives an email with shipping instructions and a label.

The seller then has seven business days to clean, pack, and send the product. Once the buyer confirms the item's condition, payment is transferred to the seller's account within two business days. Decathlon takes a 6% commission on sales on both the seller and buyer side, which is around the industry standard on marketplaces.

WHY ARE RETAILERS COMING UP WITH THEIR RESALE PLATFORMS?

You've probably noticed that the recommerce market is growing. Older platforms like eBay or Craigslist are still around. We also see it on social media, for example, the popular Facebook Marketplace. Vinted is specialized in used clothing and is growing year after year. Now, we see retailers like Shein and Decathlon offering features to resell previously ordered items.

Market Size of Recommerce in the US



Source: Statista

Of course, consumers are aware of the sustainability aspect of recommerce. This is especially true in the fashion industry, which is one of the industries impacting the environment the most. Why buy new products that consume more resources when perfectly fine pre-owned items can be reused? Not to mention the price difference between used and new items.

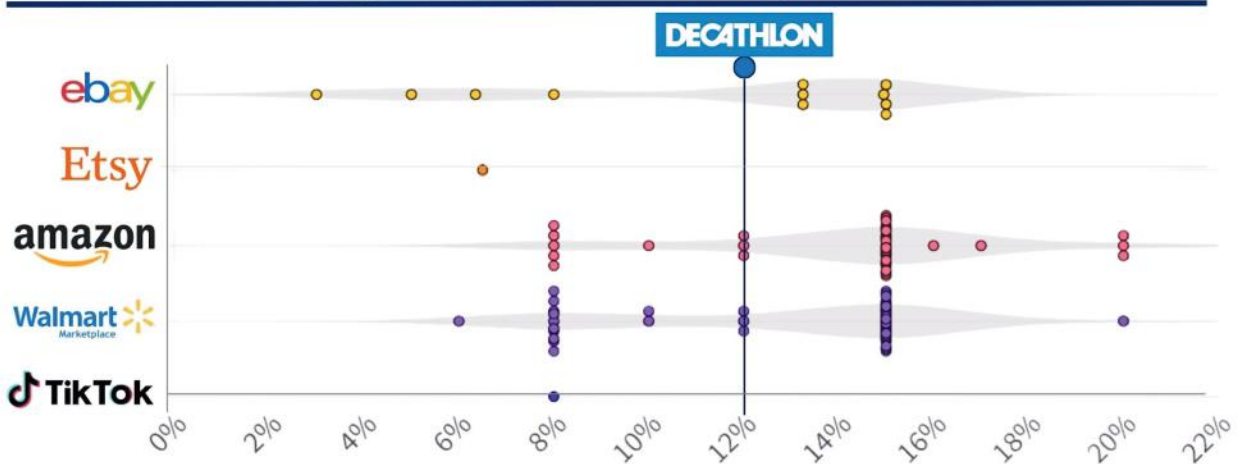
The idea of a more sustainable model is great news for businesses trying to improve their image, and I suspect that is the reason why Shein is offering resale features to their customers in France. But there is much more than the opportunity for promoting a company's efforts to limit the impact of their products on the environment.

Adding the option to resell products allows brands to control a greater portion of the product life cycle.

It's not about the purchase only, but also the repairs, maintenance, and resale. Brands can now engage even more with their audience and extend the customer experience beyond just selling new products. This gives them more opportunities to collect data on their customers and market other products (for example, a customer selling his used bike might be in the market for a new one). Personalized shopping experiences are becoming a way for online retailers to increase their conversion rates and average order values, and these resale platforms could be a way to improve the efficiency of recommendations.

Finally, like other C2C platforms, Decathlon charges fees on each transaction (6% on the seller, but they also add 6% on the sale price, so I see it as around 12% fees if sellers must discount their product to remain competitive). This is another stream of revenue for the company and in line with what other platforms are charging.

Decathlon C2C Charges Both Sellers and Buyers 6%



Decathlon C2C charges a 6% commission on the sale price to the seller and automatically increases the selling price by 6%. Example: If you sell an item for €100, the seller will receive €94 in their bank account, and the buyer will pay €106 (+ shipping costs). While sellers only pay 6%, this may encourage them to discount prices by another 6% to stay competitive.

fmaingret.com

CONCLUSION

Decathlon's launch of a resale platform in Belgium is another great illustration of the expansion of recommerce. By facilitating the resale of previously purchased items, retailers not only address the environmental concerns associated with waste but also extend their control over the customer experience and the entire product lifecycle.

This is also another source of revenue if the sales take off due to transaction fees. I wouldn't be surprised to see more retailers launching similar services in the next few years.

https://www.decathlon.be/fr/c2c_lp-JCYPE6

<https://www.marketmaze.me/article/decathlon-launches-resale-platform-in-belgium>



SHOULD YOU PARTICIPATE IN AMAZON PRIME DAYS?

As we approach July, I bet your LinkedIn feed is packed with guides on how to prepare for Amazon Prime Days. “This is the biggest day of the year!” they say. “Make sure you have enough inventory” or “Here’s how to optimize your listings” they’ll advise. While there is often good advice in these posts, the authors assume you are participating in Prime Days. Many entrepreneurs selling on Amazon believe they MUST discount their products during these few days. But should they really?

In this post, I’ll argue that not every business benefits from participating in Prime Days. Low margins, product positioning, brand image, inventory issues—there are many factors impacting a business’s interest in flash sales. So, let’s explore when a business should NOT participate in this event.

Disclaimer: *This assumes the business CAN afford to temporarily lower prices. If immediate cash flow is an issue, I recommend you address this before even considering discounting prices.*

WOULD OFFERING DISCOUNTS DAMAGE YOUR BRAND IMAGE?

Sometimes, brands should not discount their prices if doing so could damage their image. In some cases, customers may begin to perceive the brand as less exclusive or question the quality of the products. For example, if a brand like Gucci were to constantly have sales, it could kill its luxury image and make it seem more accessible, losing its appeal to high-end customers.

To a lesser extent, this applies to tech products. Heavily discounted prices compared to industry standard discounts might signal the product is technologically outdated compared to its competitors. The same goes for food products—customers might start doubting their freshness if discounts are too high. I wouldn’t buy 50% off chicken wings from the gas station, and I think many customers feel that way about online shopping.

DO YOU HAVE ENOUGH INVENTORY?

If your inventory is limited, and you believe offering Prime Day discounts would cause your products to go out of stock, I recommend not participating in the event. Not only would the stock you have generate much less profit than it should, but being out of stock would also kill the product ranking against its competitors, especially if they discount theirs. In most situations, slower sales are preferable over being out of stock, and that is the case during Prime Days.

HOW DIFFERENTIATED ARE YOUR PRODUCTS VS. COMPETITORS?

In my opinion, this is the main issue brands face. If their products are commoditized (there is little differentiation besides pricing), the category can quickly become a race to the bottom. This is a huge problem year-round, but especially during Prime Days. In a commoditized category, packed with manufacturers and private label sellers (very common on Amazon in 2024), there will always be a competitor willing to undercut your offer. Is it really worth selling your products at a loss? If you're in this situation, pay attention to how much customers value your brand.

HOW STRONG IS YOUR BRAND?

Even if your product's technical features are very similar to your competitors, a strong brand can give you a much better fighting chance. Your fans will buy at full price, but some customers might be waiting for a discount to try your brand for the first time.

In that case, discounting can be a winning strategy. But for weaker brands (which is the case for many brands selling exclusively on Amazon), unloyal price-sensitive customers won't care about buying from a competitor if they can get better pricing for a similar product elsewhere.

DO YOU SEE POTENTIAL FOR FUTURE ORDERS AT FULL PRICE AFTER PRIME DAYS?

I'm thinking mostly of consumable products, such as skincare, household supplies, or sports nutrition products. If your product isn't commoditized and/or your brand is strong enough, discounting the products (even at a loss) might help convert new-to-brand customers so they buy at full price later. It boils down to your customer journey (unfortunately difficult to track on Amazon) and reorder rates.

Now if you don't think customers will ever reorder, this doesn't necessarily mean you shouldn't participate in Prime Days, but you might be leaving money on the table if you offer large discounts.

COULD THE SALE OF YOUR DISCOUNTED PRODUCT GENERATE SALES OF OTHER PRODUCTS?

If customers won't come back to buy the same product at full price, maybe they could be interested in buying other products from your brand? For example, if they buy your discounted protein supplements during Prime Days, maybe they'd buy your vitamins later at full price.

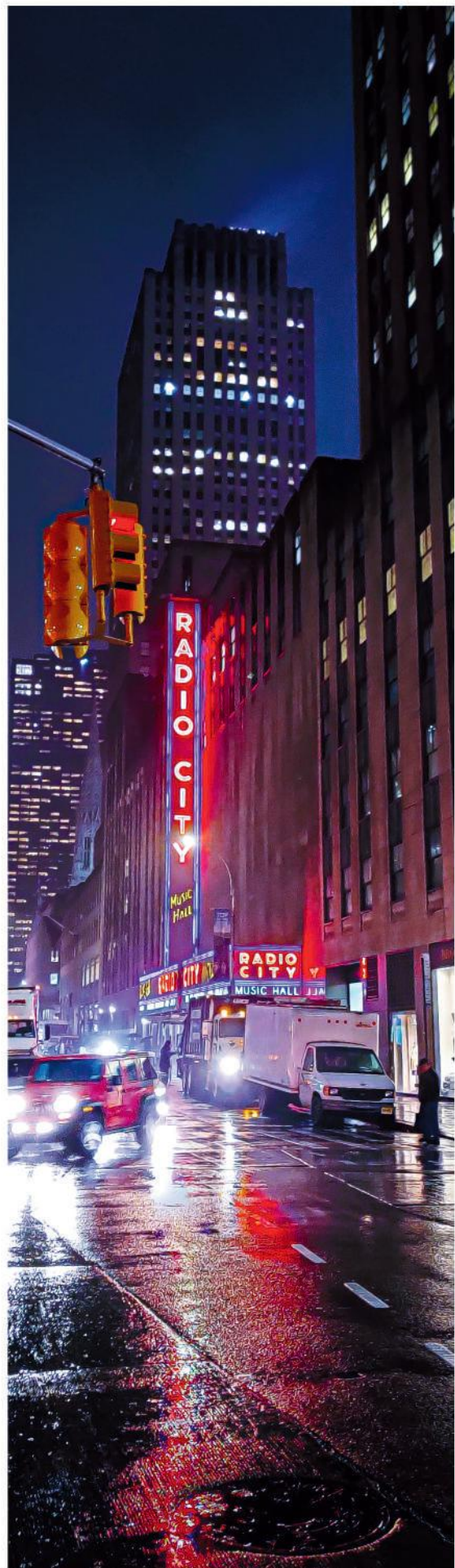
If you don't think this scenario is realistic for your business, maybe reconsider participating in Prime Days.

THE CASE OF PARTICIPATING AS A DEFENSIVE MOVE

Some might argue that even with undifferentiated products, a weak brand, and no potential for future orders, sellers should participate in Prime Days as a “defensive move” to not lose market share to competitors. I am generally against this approach, as I see no benefit in temporarily increasing market share at a loss if there is no potential to make up for this loss later. Participating as a defensive move would only slow down the inevitable process of decreasing gross revenues, while accelerating the decline of net profits. Moreover, if customers only care about pricing, there is a deeper issue than Prime Days that needs to be addressed.

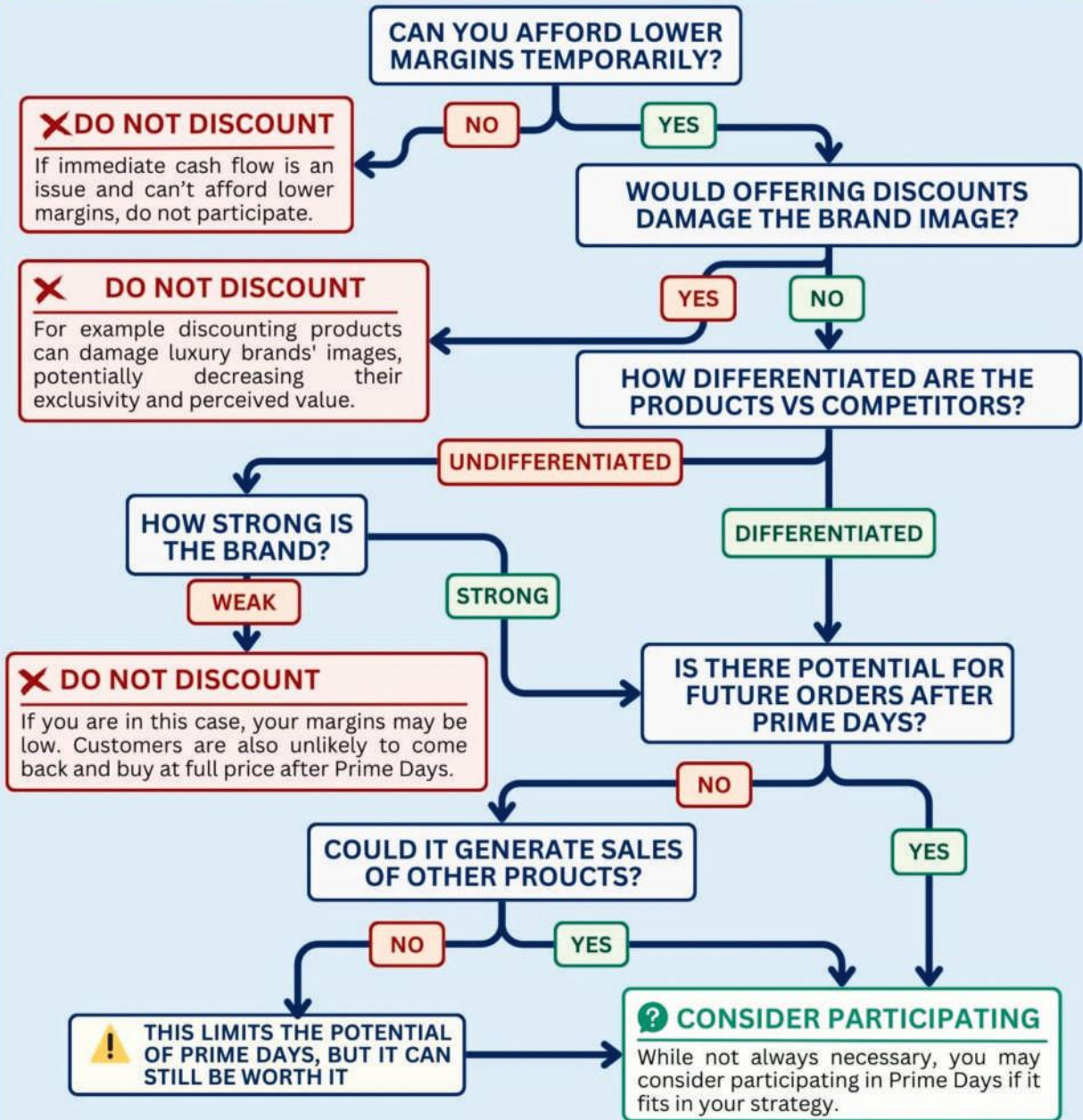
CONCLUSION

As you see, participating in Amazon Prime Days should not be automatic but is a complex decision involving multiple criteria. While the event offers great potential to see more traffic and increase gross revenues, not every seller may benefit equally. Maintaining brand image, managing inventory effectively, and considering product differentiation are critical factors. Strong brands with loyal customer bases may find Prime Day more advantageous for customer acquisition and future sales. However, for sellers with limited inventory or commoditized items and weak brand/product differentiation, participating could negatively impact long-term profitability without causing a significant increase in revenues.



SHOULD YOU PARTICIPATE IN PRIME DAYS?

A CHART TO NAVIGATE PRIME DAYS




Keep in mind that choosing whether to discount products is a complex decision, and different companies have different strategies and KPIs. The chart above provides only generic advice and does not reflect every company's optimal pricing strategy.



JULY 2024

AMAZON PLANS TO FACILITATE DIRECT SHIPPING FROM CHINA ARE TEMU AND AMAZON TWO SIDES OF THE SAME COIN?



Right before taking a vacation, I saw the news about Amazon planning to assist sellers based in China to ship directly to US customers, similar to what Temu does. While I recognized the importance of this move, the news didn't surprise me. It's been clear that China-based sellers have become a key part of Amazon's strategy. We've seen several moves in the past to help Amazon compete with Temu and Shein, so this isn't entirely new.

However, this might be Amazon's boldest move to date. My initial thought was, "Some Amazon sellers are in big trouble." After discussing this shift, I'd like to reflect on the convergence between Amazon's and Temu's strategies and review the potential impact on US-based sellers.

AMAZON PLANS TO FACILITATE ITEMS SHIPPED DIRECTLY FROM CHINA

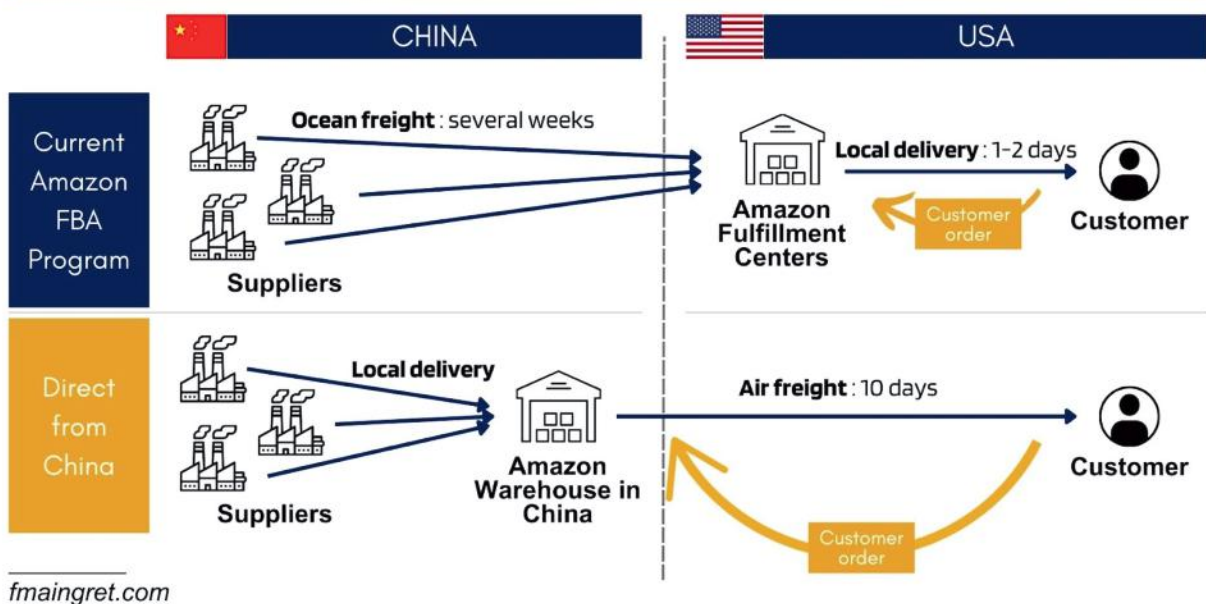
CNBC reported that Amazon hosted an invite-only call with sellers in China to discuss these plans. The idea is that Amazon will help China-based sellers ship products directly from China to customers in the US, focusing on low-priced fashion and lifestyle items.

Unlike Amazon's current model where sellers store their items at Amazon fulfillment centers, the items will be stored in Chinese warehouses and shipped directly from China via air freight.

As a result, customers won't receive items from China within 24 to 48 hours but within 9 to 11 days, according to Amazon. Amazon would take advantage of the de minimis rule that helps Temu save on duty and some taxes. We all hate waiting for our packages, but sometimes we don't mind compromising if we get deep discounts. That's exactly what makes Temu successful and what Amazon attempts to replicate.

It's still unclear when this program will start, but I assume it won't take very long. The competition is tough between Amazon and Temu, and both are adapting their strategies. Interestingly, Amazon is taking inspiration from Temu, while Temu imitates some aspects of Amazon's strategy.

Comparison of Current Amazon FBA Program vs Direct from China



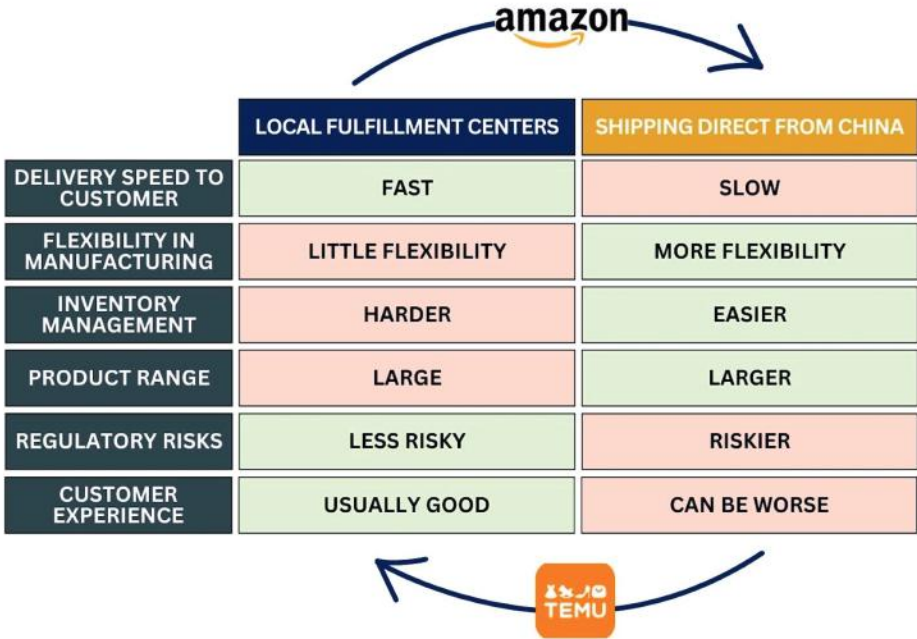
THE CONVERGENCE BETWEEN TEMU AND AMAZON'S STRATEGIES

Before analyzing Amazon's and Temu's strategies, let's look at the advantages and drawbacks of each model.

The first advantage of having local fulfillment centers is shipping speed. One of Amazon's greatest strengths is their ability to offer free next-day delivery to millions of Prime customers. While customers are sometimes willing to wait longer if they can get lower prices, longer delivery times when ordering directly from China can cause frustration and a poorer customer experience.

Shipping from China gives manufacturers more flexibility in their productions, allows them to do more testing via small batches, and potentially offer a wider range of products. This also facilitates inventory management, as sellers don't have to ship large quantities of inventory overseas.

Finally, basing a business model on exporting from China and taking advantage of the de minimis rule exposes the company to risks if regulators decide to take action. While nothing has happened yet in the US, there are discussions about it, and the European Union is working on a proposal to impose import duties on cheap goods bought online.



Now it's clear that Chinese sellers are an important part of Amazon's strategy. The marketplace has seen an additional 20% increase in Chinese sellers joining in 2023, and the number of Chinese sellers exceeding \$10M/year in sales increased by 30%. Recently, Amazon also slashed selling fees on clothing items priced below 20%, attempting to compete with Shein and attract more Chinese sellers. It's no surprise to me that they may now facilitate the sale and shipping directly from China. This offers lower prices to their customers while giving third-party sellers more flexibility.

On the other hand, Temu may fear new regulations that would significantly increase their costs, such as the elimination of the de minimis rule. Temu also understands that delivery speed is more important than pricing for a significant part of US customers. Temu has already begun shipping some orders from US warehouses, a shift from 0% just a year ago. According to Marketplacepulse, 102 out of 120 recommended products on Temu's homepage ship from the US and arrive in less than 5 days. This shows how much their priorities are changing and helps them compete effectively with Amazon's extremely efficient supply chain.

Personally, I find that diluting each company's value proposition will create a confusing experience for consumers. The marketplace model is great, but we're now starting to see the same product assortment on every platform, from Amazon to eBay, including Walmart or TikTok Shops. On the other hand, many customers would love to experience low prices and fast shipping by cutting out the middlemen.

There are millions of middlemen currently selling on Amazon. So how can this strategy shift impact them?

HOW THIS COULD IMPACT US-BASED SELLERS

It's hard to predict how many sellers will opt for this program. However, some potential consequences of this move are obvious:

A larger number of China-based sellers joining the platform

Lower prices across strategic categories such as clothing or lifestyle

A lot more listings in these categories

Wider discrepancies in delivery times

In my opinion, every Amazon seller will experience the impact of this program, but to varying extents. Amazon seems to focus on certain categories like fashion or lifestyle, so sellers in these areas will likely feel a stronger effect compared to others.

When it comes to types of sellers, I believe big-name brands will be the least affected. Many of them sell directly to Amazon rather than through the marketplace and have a major asset: brand equity. They generate significant traffic through branded search, and many customers are loyal to the brand and its perceived quality. Customers are also less price-sensitive. Similarly, wholesalers selling brand-name items should experience minimal disruption.

On the other hand, private label sellers will take the biggest hit if this program becomes popular.

They will face more competition, likely lower prices across categories, and potentially increased costs for acquiring traffic. Business has already been challenging for these sellers since their own suppliers started selling on Amazon, and I believe it will only get tougher from here.

Somewhere in the middle are brands with unique items but lacking brand recognition. I believe these sellers should be fine as long as their product cannot be easily replicated. Getting traffic and launching products may be initially harder, but things should improve in the long run.

Finally, the difference in delivery times between the two models can be relevant in some industries. Brands selling products that customers buy impulsively and need right away should be less concerned than those selling items customers don't mind waiting 10 days for.

CONCLUSION

Amazon's move to facilitate direct shipping from China represents a major strategic shift to compete more effectively with Temu. Amazon and Temu are battling for market share, trying to meet customers' needs in terms of pricing and delivery speed.

Having products locally available is a key part of Temu's strategy, while Amazon is deploying more features to attract China-based sellers and lower prices.

For US-based sellers, the impact of this program will vary. Established big-name brands should experience minimal disruption, while the millions of private label sellers may face intensified competition, pricing pressures, and potential impacts on profitability and customer acquisition costs.

Ultimately, customer behavior will drive both Temu's and Amazon's strategies, but regulatory changes could potentially affect the direct-from-China model. Amazon is taking a risk here, and we'll have to see if it pays off.

<https://gizmodo.com/amazon-temu-shein-shopping-china-direct-shipping-1851562838>

<https://www.marketplacepulse.com/articles/amazon-and-temu-swap-strategies>

<https://www.cnbc.com/2024/06/26/amazon-plans-discount-store-in-bid-to-fend-off-temu-and-shein.html>



SELLER SUPPORT SHORTCOMINGS

How it Can Hurt a Small Business

Last week, I came across a great article by Spencer Soper in Bloomberg (link below, I recommend reading it) about how Amazon sold a returned used diaper, and hurt an American small business relying on the FBA program. I found that this story is the perfect example of the shit (no pun intended) Amazon sellers have to deal with every day. The process of the incident is complex, with many actors and tasks involved, and I'd like to break it down to identify what went wrong and what could have been done better. Then, I'll give my opinion on what I think was the main issue here, and how frustrating it can be for millions of sellers.

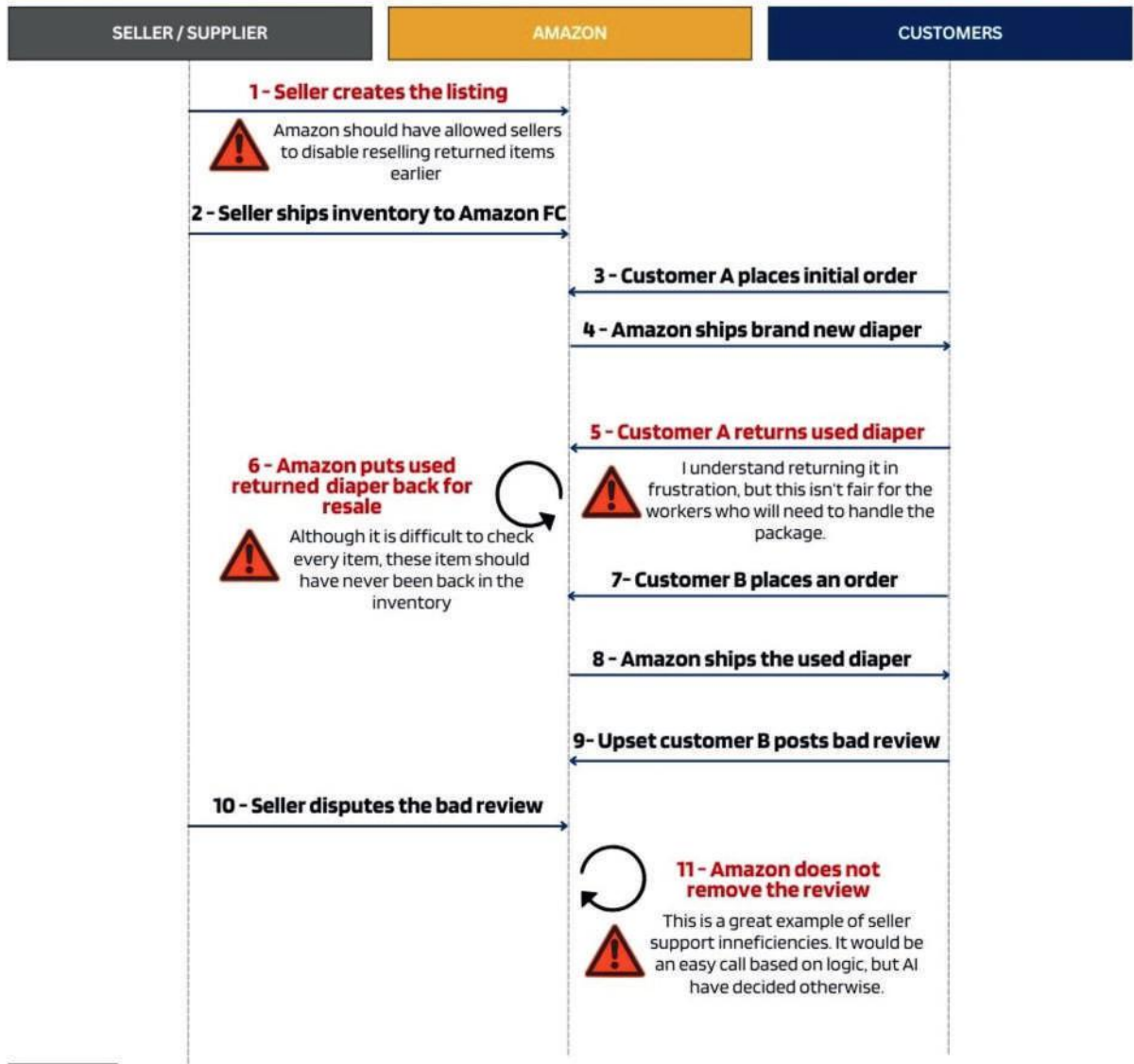
THE ORDERED DIAPER JOURNEY AND THE CONSEQUENCES

Paul and Rachelle Baron created a best-selling reusable swim diaper that they listed on Amazon.

The business was successful for a while, but troubles started after a customer posted a negative review, featuring photos of a used, stained diaper. The couple tried to get Amazon to remove it, but the review stayed online, causing a massive drop in sales. It turns out, Amazon did not check an item returned and shipped it to another customer.

Now, what went wrong and who is responsible? This story is more than just a returned item processed incorrectly. Below is a chart showing the complete story and where I think things didn't go well.

What Went Wrong in the Paul and Rachelle Baron Story



fmaingret.com

The first problem occurred during the listing creation. At the time, Amazon did not give sellers the option to disallow reselling returned items. They have since fixed this, but this change could have helped this couple avoid the whole issue.

Next is the customer who returned used diapers. This is obviously very disrespectful and unsanitary for the workers who need to process the shipment and open the box.

Yes, Amazon should have never put the item back for sale. But it is hard to blame them; they process tons of returns every day, and as explained in the article, it is impossible to do a full inspection on each package. There will be some mistakes, and it would be unrealistic to expect a 0% error rate.

I think the main issue here is how hard it was to remove the review (which was still on until the article was published in Bloomberg).

It should have been an easy process, but the review stayed, and the review sorting algorithm made this review visible to thousands of customers. I am not saying this alone contributed to the decrease in sales (Amazon got a lot more competitive in the last few years, and they may suffer from other sellers duplicating their product), but I can imagine how frustrating it was. I believe this highlights one of the main issues Amazon sellers are facing: the difficulties dealing with Amazon Seller Support.

THE PROBLEM WITH SELLER SUPPORT

The few times I interacted with Amazon's customer service as a customer, I had the best experience. Employees on the phone were knowledgeable, and the return/refund processes were extremely easy. As a seller, however, it can be a different story. You don't have to go very far to find a lot of negative testimonials on Amazon seller support:



Reddit · r/FulfillmentByAmazon
6 months ago



Seller Support is so comically bad it's unbelievable

Considering that Amazon takes huge service fees, and make so much money on Amazon Ads, it's mind boggling why they are so bad to the sellers.

- Is Amazon Seller Support terrible or what? - Reddit Feb 14, 2020
 - Is it just me or is Seller Support awful? : r/FulfillmentByAmazon Oct 29, 2021
 - Seller support is the worst I have ever seen. - Reddit Aug 30, 2019
 - Selling on Amazon sucks now! : r/ecommerce - Reddit Aug 19, 2022
- More results from www.reddit.com

To be fair, providing quality customer support is expensive, especially knowing there are over 9.7 million sellers worldwide on the platform. And the marketplace is extremely complex; it can be very difficult to resolve unique cases. While things got worse until about 2020, I have noticed an improvement since the pandemic.

But it is very frustrating that critical cases causing millions of losses for third-party sellers sometimes take so long to resolve.

Between the cases being transferred between departments and the AI-generated responses, sellers must be very patient. While some brands may choose to work with an Amazon account manager (at the cost of \$1,600/month + 0.3% of total sales in the previous calendar month + tax), others may resort to outside firms. A lot of companies are now specializing in helping sellers reinstate their accounts after being suspended or with other issues when seller support may be difficult to deal with.

According to CNBC, there were even Amazon employees offering to help sellers, selling their services on the black market via Telegram (Although Amazon cracked down on these practices).

As a result, the future is uncertain for TikTok. Brands must prepare for a ban, even if it isn't confirmed at this time. And if it does get banned, the future of e-commerce is also uncertain. Will traffic move to Youtube and Instagram? What media will use Gen Z to discover new products? And what will the typical customer journey look like without TikTok shops? Only time will tell.

I advise Amazon sellers to learn and understand the "language" of seller support. There are more efficient ways to formulate an issue and get a case resolved faster. I also found that calling or using chat is typically better than via email. It involves luck, as some seller support reps are way more knowledgeable than others. Finally, I recommend sellers ask the community about critical issues on the official seller forums, and on other sources such as LinkedIn or Reddit.

CONCLUSION

The incident with Paul and Rachelle Baron's business gives us a great example of how a minor incident can cause major troubles for a business. While Amazon has made some improvements, the complexities of the marketplace and the current seller support can cause a lot of frustration for third-party sellers. I recommend sellers learn as much as possible about the platform and don't hesitate to reach out to experts when facing major issues.

<https://www.bloomberg.com/news/articles/2024-07-15/how-bad-amazon-review-destroyed-beau-belle-littles-swim-diaper-business?embedded-checkout=true>
<https://www.ft.com/content/64f01bfe-39b9-49f6-86eb-be96374539cf> <https://www.cnbc.com/2023/08/01/amazon-employees-leak-info-that-marketplace-sellers-buy-on-telegram.html>





JULY 2024

LEVI'S FOCUS ON DTC

WHY I THINK THE BRAND HAS WHAT IT TAKES TO BE SUCCESSFUL

Hot take: I think over 95% of businesses selling on large Amazon would fail miserably if they opened a DTC channel. Anyone can build a storefront on Shopify, list their product, pay \$100 a month membership, and start selling. But how many entrepreneurs can sell profitably in significant volume via a DTC channel? People complain about Amazon's fees without realizing that for many brands, CACs would kill them if they had their own channels.

On the other hand, some brands are seeing massive success with DTC.

One of these brands is Levi's, which claimed to have doubled their DTC revenues in the last decade and now making this channel a major part of their strategy. According to Michelle Gass, Levi Strauss & Co. president: *"With the strong momentum and consumer permission, now is the time to accelerate our transition to D2C, where we will evolve our culture and operating model, and our consumer centricity will drive every aspect of how we operate."*

This brings me to think, what makes Levi's a good candidate for a successful DTC channel, and when should a business stay away from it?

“

“With the strong momentum and consumer permission, now is the time to accelerate our transition to D2C, where we will evolve our culture and operating model, and our consumer centricity will drive every aspect of how we operate.”

Michelle Gass, Levi Strauss & Co. president

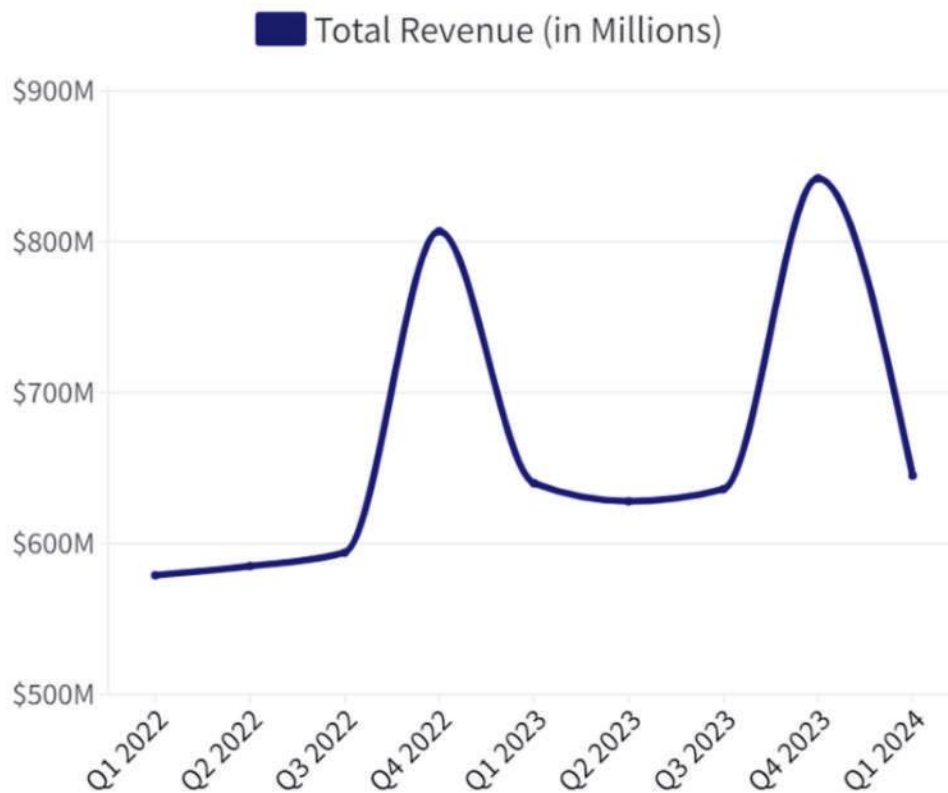
WHAT MAKES ME THINK LEVI’S DTC ADVENTURE WILL BE A SUCCESS?

I think one of the main factors making a brand a good candidate for a DTC website is a strong brand identity. And no one can deny that Levi’s is a heavyweight in that category.

I don’t think I can name a single person who has not heard of it. The brand has been around for over 150 years. According to YouGov, it is the 18th most popular brand in the US as of July 2024. Because Levi’s is so well-known around the world, they are getting a ton of direct searches, and many customers will pick them over any other brand.

Levi Strauss & Co. (LEVI) Stock





GIFT MODE AND THE PARADOX OF CHOICE

It is a hot summer day. You're craving ice cream, and your freezer has vanilla or chocolate. Unless you're like me and you get a scoop of each, it isn't hard deciding between the two. Now let's say you walk into an ice cream store and they have literally every flavor you can think of and more: triple fudge brownie, avocado swirl, wasabi, fried chicken, etc. That is the paradox of choice: the more options you have, the more likely you are to end up in a mental flavor frenzy rather than enjoying your scoop. And it is easy to experience that on Etsy, when customers are offered with a large number of items in each category.

Enters Gift Mode, one of Etsy's recently launched features. Gift Mode uses human interaction and machine learning algorithms to display a curated selection of products to visitors shopping for a gift. It feels like going into a gift store and telling the sales clerk who you are shopping for and what your criteria are. As an Etsy customer, I find the shopping experience fantastic and very helpful. As Mother's Day is coming, I can see this feature making a difference, and I really think it adds value to Etsy. I am hoping it will make a difference in conversion rates.

Gift Mode makes gifting extra-easy

Extra-special gifts for anyone



Get inspired! Popular gift ideas →



“CREATING CLEANER SHOPPING AISLES” VERSUS CREATING AD SPACE

As Etsy CEO explains, “We stand for keeping commerce human and believe that doing this in a way that no one else can is our most important competitive advantage. We’re focused on creating cleaner shopping aisles for buyers.” This makes sense to me, and I am looking forward to seeing how these new initiatives contribute to the marketplace’s success in the long run.

He continues: “All too often, when you visit Etsy, your search is cluttered, showing you too many items that feel very similar, increasing cognitive load while failing to highlight the incredible diversity that is a towering strength for Etsy.”

While this sounds great, I took the time to review Etsy’s financials and found that its share of revenues coming from “Services” is getting larger and larger.

My concern is that revenues from ads are increasing, meaning that potentially 1 – Etsy is charging more for ads and is squeezing its third-party sellers and/or 2 – Etsy is dedicating more ad space in the search results, resulting in a less than ideal customer experience. We have seen this trend with Amazon: it isn’t uncommon that half of Amazon’s search results are ads, making it difficult for customers to find the most relevant product. The FTC has an eye on these practices, as I explained in past articles. If that is the case, it would go against Etsy’s efforts to “create cleaner shopping aisles for buyers”.

Rachel C. Glaser, Etsy CFO, briefly mentions ads later in the call: “During the quarter, we continued to enhance Etsy Ads.” However, it isn’t clear what Etsy’s long-term strategy regarding advertising is.

More importantly, the main issue I don't see addressed here is the intellectual property issue, and the numerous reports from small businesses and independent creators on Temu/Shein allegedly stealing their design. This is in my opinion a huge threat for Etsy, one they must take seriously.

It can create a very confusing experience for customers, and some of them won't see a reason to not get the cheaper item from a Chinese website. In the long run, this can cause many of these sellers to go out of business or to offer a much smaller assortment of items. Now, fixing this issue is easier said than done, but I really believe it can't be ignored by Etsy management.



The Reader Tarot Inspired Tote Bag

€13.99

Colour

Select

Quantity

1

Add to Cart

Buy Now

The Reader Tote Bag

Worry around all your favourite books, your groceries or your everyday things in this dreamy tote! Perfect for a picnic at the park or the market on a sunny day. Also a cute gift to your friends, family or loved ones.

Shipping Info

Current shipping estimates:
The Netherlands - 1 to 5 business days



Left, a screenshot from Leora Aileen's website, a small business owner. Right, the same design on Temu. Source : Time.com

CONCLUSION

Don't expect me to tell you whether you should buy Etsy stock or not; there are people way more qualified than I am if that is what you are looking for. Plus, I'd feel bad if some of my readers lost money in the stock market after taking my advice.

What I can tell you is that Etsy seems to be focusing on the customer experience seriously, with great innovation such as "Gift mode", and the initiative to remove low-quality offers.

However, my main concerns are the intellectual property issue, which can definitely deter sellers from selling on the marketplace, and the growing % of revenues from services.

Ultimately, I enjoy looking at businesses like Etsy or eBay, which really bring something unique to the e-commerce landscape. Let's see how things go for Etsy, but you can be sure I'll be using it for gift ideas.

<https://investors.etsy.com/financials/quarterly-results/default.aspx>
<https://time.com/6342387/temu-copy-work>

OTHER NEWS FROM JULY 2024

WAYFAIR'S BLACK FRIDAY IN JULY SALE

We are now getting more "Black Friday in July" events. I recently argued that frequent flash sales can have diminishing returns and can be confusing for customers. A good illustration of this is how retailers like Best Buy and Wayfair name their summer sales events.

This sounds like great news for price-conscious customers and for retailers looking to boost their top-line numbers or move old inventory. We've also heard that Prime Day has become the most successful sale to date.

However, I wonder what this trend will mean for retailers on a broader scale, beyond just Amazon or Temu. Flash sales rely on creating urgency and scarcity, but this feeling diminishes if the next event is just around the corner. I even believe this model is one of the reasons Zulily went out of business recently.

Customers dislike seeing items on sale shortly after purchasing them at full price. As a customer, I start losing trust in a retailer if I don't see consistency in their pricing strategy.

I'm not saying flash sales have no place in business, but I believe they should be used strategically rather than automatically.

"After Prime Day, Wayfair weighs in with its own summer sale" - 7/19/24

<https://www.hometextilestoday.com/online-retailers/after-prime-day-wayfair-weighs-in-with-its-own-summer-sale/>



ETSY STRATEGY SHIFT

"When Etsy launched nearly two decades ago, it provided a sanctuary for artisans and craft makers, fostering a community centered on unique, handmade products. However, the platform has since struggled with an influx of mass-produced items, diluting its brand and frustrating its core sellers."

I agree 100% with this extract from the article. Etsy's roots are in its unique assortment of artisanal products. Imagine being on vacation, walking into a store, and seeing a mix of handmade products, and cheap plastic items imported from China. You'd think it's a tourist trap. This is how I feel about Etsy today, but I hope to see improvements soon.

Amazon and Temu are increasingly alike, and we're now seeing the same products across every marketplaces. Etsy didn't have to follow this path but still saw a ton of mass-produced products, probably misleading some customers looking for handmade goods.

According to the same article below,"Silverman's narrative is clear: Etsy will not compete with eCommerce giants on price and speed."

While this may seem counterintuitive in an environment where customers love cheap stuff from Temu and Amazon's lightning-fast delivery, I understand where this comes from.

I wrote about Etsy's Q1 results recently and thought the company was going in the right direction. I also had high hopes for their gift mode feature. Let's see how things turn out, but I don't see how they can survive if they try to compete in the Amazon/Temu space.

"Etsy Aims to Have Its Artisanal Cake and Eat it Too" - 7/9/24

<https://www.pymnts.com/news/e-commerce/2024/etsy-aims-to-have-its-artisanal-cake-and-eat-it-too/>



AMAZON'S CONFLICTING PLANS

Customers love fast shipping. Water is wet. But things will get interesting now that Amazon plans to facilitate shipping directly from China.

We know that some customers prioritize fast shipping above anything else, while others don't mind slow shipping as long as they get the best price. However, there's likely a significant overlap between these two groups: customers willing to compromise on their preference (fast shipping or pricing) if they encounter an attractive alternative deal.

I've started to think that the best experience for customers would be to have this option when adding an item to their cart, if it exists in both a US fulfillment center (FC) and a China FC : "\$20 and receive it today or \$15 and receive it in 10 days."

I think a mistake would be for Amazon to alienate customers who love fast shipping by showing them too many listings that ship slowly. Sure, there are filters based on delivery date, but that isn't convenient. And Amazon is now packed with sponsored listings, which adds complexity.

I am very curious to see what the shopping experience will be like. Will this give customers more options and better deals, or make it frustrating to find what they really need? Either way, I think this is bad news for many US-based sellers, except for the strongest brands.

"Amazon Sees 30% Rise in Same-Day and Next-Day Delivery"
PYMNTS 7/9/24

<https://www.pymnts.com/amazon/2024/amazon-sees-30percent-rise-in-same-day-and-next-day-delivery-speeds/>

HOW TO DEFINE DRIP PRICING?

Don't you love finding a \$50 concert ticket, only to realize it will cost you \$120 after convenience fees, payment processing fees, delivery fees, and other "because-we-can" fees?

Washington, D.C., Attorney General Brian Schwalb has filed a new lawsuit against StubHub, calling the practice of drip pricing "deceptive and unfair."

We ecommerce professionals know that adding extra fees at the last step of the checkout process causes frustration and upsets our customers. So why are all these companies doing it?

Because it works! According to a publication by Santana, Shelle, Steven Dallas, and Vicki Morwitz titled "Consumer Reactions to Drip Pricing," :

"Across six studies, we find that when optional surcharges are dripped (vs. revealed upfront) consumers are more likely to initially select a lower base priced option which, after surcharges are included, is often more expensive than the alternative."

Banning these frustrating fees sounds like a good idea, but in practice, what constitutes a "junk fee"? It may be clear for things like "platform fees," but not as obvious for shipping charges or credit card processing fees.

I'd be curious to hear my network's opinion on this. Does drip pricing have a place in ecommerce? And if not, how should we limit or ban it?

"Regulators Have Been Sounding the Drip Pricing Alarm for Years"

PYMNTS - 7/31/24

<https://www.pymnts.com/amazon/2024/amazon-sees-30percent-rise-in-same-day-and-next-day-delivery-speeds/>



NEW FLASHY AD CAMPAIGNS WON'T ALWAYS FIX YOUR BUSINESS

WHY ECOMM ENTREPRENEURS SHOULD CONSIDER ALL 4PS OF MARKETING

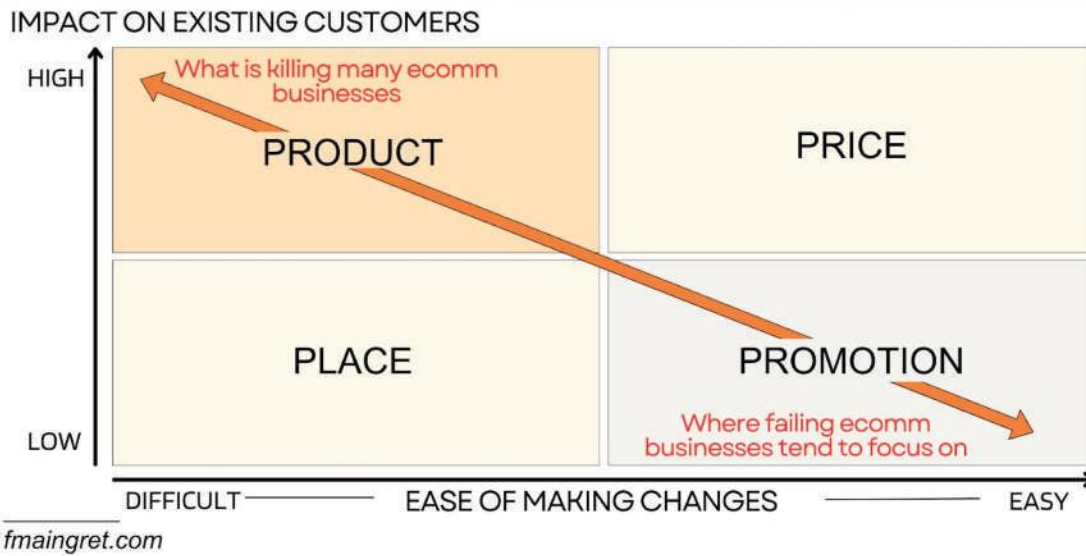
You've probably heard of the "Four Ps of Marketing." If not, the 4Ps—**Product**, **Price**, **Place**, and **Promotion**—are the key elements that help businesses strategize how to develop, price, distribute, and promote their offers effectively.

If a company was a house, **Price** and **Place** would be how much the house is worth and where it is located—very important elements that are frequently discussed. **Promotion** would be the fancy cabinets and the fresh coat of paint on the kitchen walls. There are millions of blogs, YouTube channels, and TV shows about home decor, and many homeowners think their house will double in value if they put a fresh coat of beige paint on the walls.

Finally, **Product** is the house itself: the walls, foundations, plumbing, insulation. It is not the "sexy" part of the building, something people even avoid discussing sometimes, but a house with structural issues will be a lot less attractive to buyers.

The same thing is happening in ecommerce. There's a lot of focus on **Promotion**, with entrepreneurs thinking a new flashy campaign will solve their problems. On the other hand, there's not enough talk about the **Product**, which is a problem for many sellers. This is especially true in 2024 when the market is more competitive than ever, and a strong brand and value proposition are necessary to succeed. So let's review these 4Ps and how they are approached today.

Many failing ecomm businesses would benefit more from improving their products than from tweaking their advertising campaigns



WHY PROMOTION, ALTHOUGH NECESSARY, IS OFTEN OVERHYPED

“**Promotion**” means the communication strategies used to inform and persuade customers about the product. This includes, but not limited to, advertising, sales promotion, public relations, or social media. Promotion decisions focus on how to effectively reach and engage the target audience.

Promotion is often the main focus of entrepreneurs for a few reasons. First, the impact on revenues is fast. Unlike developing a new product or building a DTC channel, striking deals with influencers can very quickly drive traffic and sales. PPC campaigns can work even faster if a company decides to increase its budgets.

Next, because it is the easiest to do. I’m not saying it’s the easiest to do right, but it is the easiest to start working on. Tweaking budgets, keywords, and creatives are rarely expensive and can be done quickly.

Even adding a new advertising channel isn’t difficult (scaling and being profitable is a different story).

Another reason is risk. Adding or removing promotional channels isn’t the riskiest choice a business will face. Very few customers would be upset if they stopped seeing ads for their favorite brand on TikTok or Instagram.

And in the worst-case scenario, decisions regarding promotions aren’t terribly difficult to reverse. Sure, problems can occur if a campaign is terrible enough to damage the brand image (such as the “Coolest Monkey in the Jungle” ad by H&M), but these are fortunately rare occurrences.

Finally, the ecommerce world is saturated with ads and marketing agencies. I’d say 80% of the sales emails I receive are from marketing, SEO, or most often PPC agencies trying to sell me their services, sometimes with unrealistic claims.

Advertising is often seen as the fun and attractive part of ecommerce, and it can be tempting for new entrepreneurs to be overly focused on it, at the expense of products, pricing strategies, supply chains, or analytics.

To be clear, I don't think Promotion is worthless. Quite the opposite, I believe it is a key part of any business. My point is, there is more than Promotion, and entrepreneurs should not make it their only focus.

Price and Place Are Getting Some Attention

Updating product **Prices** immediately impacts a business's financials, including both top and bottom lines. It influences customers' demand and their perception of the products (expensive items sometimes appearing more exclusive and higher quality). It is a very impactful decision for existing customers. Increasing prices may slow down customer demand and upset existing customers who are used to the lower prices. On the other hand, decreasing prices can attract new customers, but frustrate those who bought previously at high prices and negatively impact the brand image.

Changing the whole pricing strategy is a massive decision for a business. However, small to medium businesses in the ecommerce space have more freedom in this area. If they don't have an extensive network of resellers and distributors, they typically have more control over their prices.

Ultimately, many businesses could benefit from experimenting with different pricing strategies (see my post here: [Pricing Strategies for the Ecommerce Entrepreneur](#)). Too many are still applying cost-based pricing or copying competitors' pricing.

Place gets a little more attention in the ecommerce world. New sales channels are popping up every day. TikTok Shop is all the rage now, and who knows what the next hot thing will be. However, while it is very important to stay up to date on new trends, I don't recommend entrepreneurs mindlessly launch their product on the latest cool channel. The right sales channel mix depends on a business's products, cost structures, industry, competitive landscape, and many other factors. Businesses with limited resources should be focused on what will ensure long-term growth and profitability.



MANY TIMES, PRODUCT IS THE PROBLEM BRANDS DON'T WANT TO SEE

The **Product** is the cornerstone of a company's strategy. It influences the pricing and marketing strategies, the sales channel mix.

A bad product makes it very difficult to generate a profit, even with the best influencers, marketing campaigns, and the greatest PPC ads teams. Not saying it never happens (in fact, there are many terrible products sold successfully), but winners are very few compared to the millions of unsellable products.

So why is there so little discussion on products? The first reason is how difficult it is to change a product after launch or create something new. Adding a new sales channel or launching a new advertising campaign is way easier than building something to sell. Product development expenses can add up, while the revenues and profits are not seen until after the product is launched.

It is incredibly hard for an entrepreneur to realize their products are terrible. Their products are not only a financial investment but also an emotional commitment. Even when they don't care about their product, recognizing failure and moving on is difficult. This is especially hard when a product was performing well in the past but became outdated or the market became too competitive. A good example of this phenomenon would be US sellers offering white-labeled products for sale on Amazon in 2015-2017. While this model worked relatively well at the time, Amazon has seen an influx of Chinese sellers during the Covid pandemic, which slashed prices and forced a lot of these previously successful sellers out of business.

Agencies won't tell businesses how to build successful, innovative products. If they could come up with great business ideas, why wouldn't they use them for themselves? Instead, most of the content online addresses either the 2-3 other Ps of marketing or discusses low-barriers to entry models such as dropshipping or white labeling. Few people would approach failing businesses to tell them "Your products are the problem and no amount of marketing can fix that."

CONCLUSION

What is the point of all this talk? My conclusion will be short: ask yourself the right questions. If your financials are disappointing, can it be fixed by addressing a new channel, tweaking your pricing policy, or creating new campaigns? In some cases, the answer is yes. But sometimes (especially for newer companies with less brand equity), the problem is deeper and lies in the last P of marketing: **Product**.





— AUGUST 2024

ETSY LAUNCHING THEIR PAID INSIDER MEMBERSHIP PROGRAM

IS THIS ENOUGH TO HELP WITH THEIR DECLINING GMV?



What do you do when you want to increase your customers' purchase frequency and lifetime value (LTV)? The current trend among retailers seems to be paid membership programs. If it works for Amazon or Costco, can it work for niche platforms?

Etsy recently announced they would experiment with their own membership program in September. We don't have a lot of information yet, but I still want to discuss what this membership is about, reflect on why Etsy might do this, and give you my opinion on whether this can reverse the company's decreasing GMV trend.

WHAT IS ETSY PAID INSIDER MEMBERSHIP?

Simona Shakin, vice president of product and retention marketing at Etsy, went over the perks of Etsy’s future paid membership program. The benefits include:

- Free U.S. domestic shipping on millions of items
- A birthday bonus
- Limited edition annual gift, designed by an Etsy seller
- First access to special discounts and select merchandise
- Double impact with Donate the Change

It still isn’t clear what products qualify, what the bonus or gift will be, or what this “special merchandise” will include.

The free domestic shipping is a significant perk, as this is one of the reasons Amazon Prime is so successful. Customers shopping online now expect free shipping, and I wouldn’t be surprised if Etsy eventually pressured its sellers even more for fast shipping.

Another big question mark is the price. Etsy did not say exactly how much customers would pay. The only information we have comes from Etsy’s COO, Raina Moskowitz, who said the monthly fee will cost roughly as much as a latte.

For now, the membership will be released in a beta version to a selected group of customers, with no information on when it will be open to the general public.

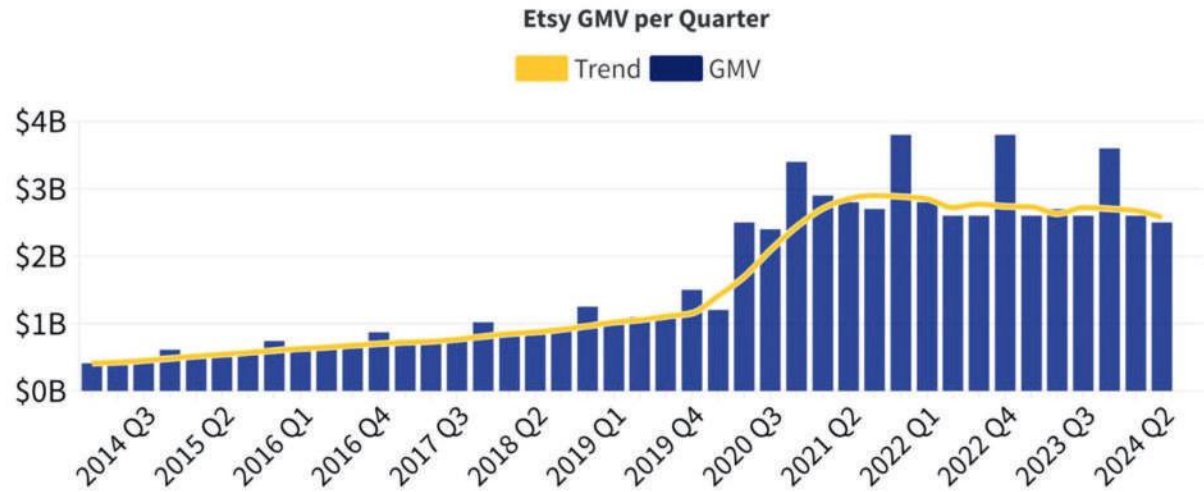
Feature	ETSY Membership	Amazon Prime	Walmart+	CostCo Gold Star
Price	“Price of a Latte”?	\$139 per year	\$98 per year	\$60 per year
Delivery	Free on selected items	Free One-Day and Same-Day Shipping	Free shipping Free delivery from store(\$35 min)	N/A
Other benefits	Birthday bonus Limited edition annual gift First access to special discounts and select merchandise Double impact with Donate the Change	Prime Video, Reading, Gaming and Amazon Music access	Fuel discounts Paramount+ Free flat tire repair Free road hazard warranty	Warehouse access Costco Fuel access Free household card Access to Costco services
Members	Closed-beta version soon	29 Million	160 Million	129 Million

WHY IS ETSY LAUNCHING THEIR PAID MEMBERSHIP PROGRAM?

I believe three challenges Etsy currently faces are pushing them to experiment with a paid membership program.

A more competitive environment, and a low customer LTV, which ultimately causes a decline in GMV growth.

Etsy GMV Has Been Declining Since the End of the Pandemic



Source: Quarterly Earnings Reports

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Etsy was originally all about handcrafted and vintage items. However, things changed during the pandemic when the platform allowed the sale of mass-produced items. Unfortunately, Etsy could not compete with Temu, Shein, and Amazon in that segment, in an environment that became extremely cutthroat and competitive. While Etsy is refocusing on handmade products, the company is likely to see a further decline in GMV in the short term as customers buying mass-produced items leave.

This leaves us with unique products often bought as gifts.

It also appears that the sales are highly seasonal, with a spike in Q4. I assume the main goal for Etsy with this membership is to increase purchase frequency and customer loyalty, resulting in a boost in GMV in the long term.

THE REAL QUESTION: IS THIS THE RIGHT MOVE FOR ETSY?

It is difficult to evaluate this strategy without having enough details on the costs and benefits of this program for shoppers.

if, as Etsy's COO said, the price of the membership is "roughly the price of a latte", this can be worth it for shoppers after 1-2 purchases, depending on shipping fees and where Etsy COO buys her lattes. Etsy said they would subsidize free shipping benefits and not pass cost onto sellers, but it is hard to have an opinion until we have more details.

While that sounds like an interesting deal for customers, Etsy will need to persuade them to buy more frequently. How often does the average Etsy customer need to shop? There is Christmas, maybe a birthday or two, or a wedding?

I can understand the success of paid membership programs for everyday, non-seasonal purchases: Amazon, Walmart, or Costco. But if Etsy refocuses on its main niche, handmade products, the scope is much narrower. Etsy has three groups of customers:

- Those who won't shop more than once or twice a year no matter what, and won't need the membership (I assume this is the largest group).
- Those who are buying very frequently even without a membership. These people are likely to subscribe and buy more.
- Those who don't buy frequently but may spend more if they had the option to subscribe to the paid membership. I think that is the smallest group.

In reality, I think this program can increase customers' LTV and revenues. But would that make a big difference?

Another big question is how profitable this would be. If frequent shoppers now stop paying for shipping and Etsy has to subsidize it, how would that affect total revenues?

CONCLUSION

We need more details on their plan and more data on their current customer base to really evaluate this strategy. It can't really be compared to Amazon or Target since Etsy has a narrow focus and no retail stores.

However, my guess is this can move the needle in the right direction, but may not be enough to compensate for the decline in GMV. And if the rate of adoption is high, I can't see how Etsy could keep membership costs low without passing shipping costs onto third-party sellers. I really like the idea of Etsy (not so much the current version) and I hope I am wrong, so I am looking forward to seeing more details on this plan.

<https://www.digitalcommerce360.com/2024/07/31/etsy-insider-beta-launch-paid-membership-program>

<https://www.cbsnews.com/news/etsy-online-shopping-loyalty-program-insider>



TIKTOK PARTNERS WITH AMAZON

SIGN OF A MAJOR ECOMMERCE CHANGE OR A SMALL PIECE OF TIKTOK'S SOCIAL COMMERCE STRATEGY?

Is there a better way to break our attention spans and budgets than a partnership between Amazon and TikTok? The king of ecommerce is teaming up with the most addictive social media app to allow TikTok users to purchase items directly from Amazon without leaving the app.

Unfortunately, we don't have all the details on this partnership yet, but people are already speculating on how it will impact the ecommerce world. Let's first look at what we know about it and what the potential consequences could be for customers, brands, and the future of ecommerce.

WHAT IS THIS PARTNERSHIP ABOUT?

Amazon customers in the U.S. will now be able to make purchases directly through TikTok, as an Amazon spokesperson told Bloomberg in a report posted on 8/8/24. According to the report, “Customers who choose to link their accounts in the U.S. will see real-time pricing, Prime eligibility, delivery estimates, and product details on select Amazon product ads in TikTok as part of the experiences,” the spokesperson said.

TikTok announced on the same day that this partnership will “create a frictionless shopping experience for our users to discover, browse, and buy — wherever and however our community chooses to shop.” In some ways, we can say this is similar to “Buy with Prime,” but on TikTok.

Amazon has become saturated over the past few years with millions of products and keeps dedicating more and more space to ads on their marketplace. As a result, the company is seeing its ad revenues increase, but it has become more difficult for customers to find the products they need. TikTok, being a great channel for discovery, could make this partnership a game changer. However, we still don’t know where this will fit into TikTok’s existing system and how much space will be dedicated to these ads.

WHAT WILL BE THE CONSEQUENCES FOR THE FUTURE OF ECOMMERCE?

Again, it is difficult to fully estimate the consequences of this partnership without knowing more details.

Many people see it as a sign that Amazon might acquire TikTok, especially given the U.S. decision to ban it if it doesn’t separate from its China-based parent company, ByteDance. I still think that would be questionable under antitrust laws.

We’ve also seen TikTok aggressively pushing its social commerce feature, TikTok Shops, working hard and investing heavily to attract sellers and customers. But why would they give traffic to Amazon? Is TikTok slowing down on its own social commerce? Do they realize they lack the logistics capabilities to gain market share?

On the other hand, this could be an attempt not only to grow their user base but to make their existing users more engaged and more willing to participate in social commerce. Letting them buy from Amazon could be a stepping stone for some users to buy on TikTok Shop. These are pure speculations, and we’ll have to see the execution of this plan before having a clear idea of what’s happening.

CONCLUSION

Integrating Amazon’s vast product offerings with TikTok’s highly engaging platform could redefine how users discover and purchase products online. However, with limited details available, many questions remain about the long-term impact on both companies, their customers, and the broader market. Does this move show TikTok’s social commerce ambitions, or is it a sign of a future acquisition?

<https://www.pymnts.com/news/social-commerce/2024/amazon-deals-expands-to-tiktok-pinterest/>

TIKTOK PARTNERS WITH AMAZON

DATA ON SOCIAL COMMERCE

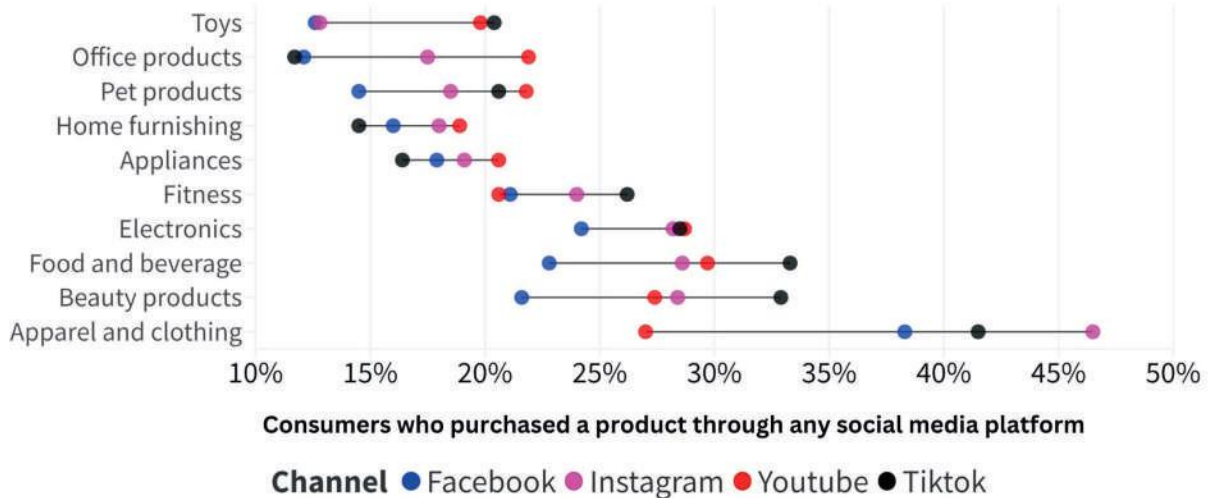
Following my recent post about the TikTok-Amazon partnership, I did a little more research. I analyzed data from the PYMNTS report, "Tracking the Digital Payments Takeover: Monetizing Social Media," and plotting it on charts revealed something big.

Not only are some product categories far less popular with social commerce, but TikTok also seems to do really well with emotionally driven purchases (like apparel and food) and struggle in more rationally driven categories (such as appliances or office products), behind every other platform.

One reason behind the partnership could be TikTok Shop's need to gain market share in these less competitive categories, using Amazon as a strategic ally.

This is pure speculation, but given how TikTok's marketing has evolved since its early days, I wouldn't be surprised to see growth in categories that are underperforming today.

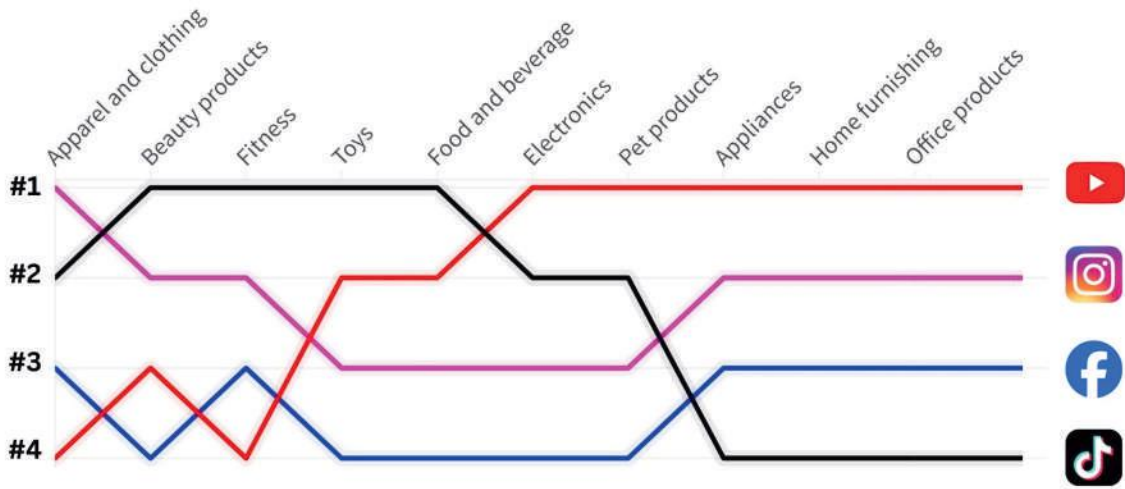
Apparel and Beauty Products Lead Social Commerce Purchases



Source: PYMNTS - Tracking the Digital Payments Takeover: Monetizing Social Media, July 2023

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Product Category Influences Social Commerce Platforms Popularity

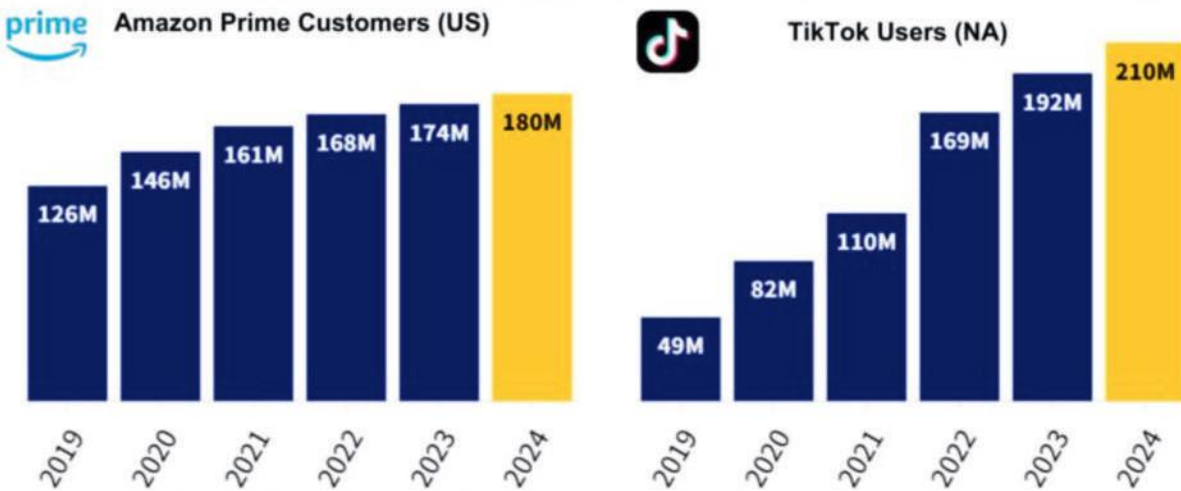


Rankings of each social media platform (by % of customers who purchased on each platform)

Source: PYMNTS - Tracking the Digital Payments Takeover: Monetizing Social Media, July 2023

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The # TikTok Users Exceeds the # of Amazon Prime Customers



Even though the data for TikTok is about North America and not just the US, we can assume that they exceeded (or will soon exceed) the number of US Amazon Prime customers.

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— AUGUST 2024

WALMART'S IMPRESSIVE Q2 ECOMMERCE PERFORMANCE

SHOULD BRANDS PRIORITIZE WALMART OR TIKTOK SHOPS AFTER AMAZON?

If there's one underdog in the ecommerce world, it's Walmart. Earlier in 2024, all eyes were on TikTok Shops. We also hear a lot about Shein and Temu, and of course, the current king of online sales, Amazon. But seasoned ecommerce professionals always keep an eye on Walmart. The retail titan finally grabbed more attention with its Q2 results, showing over 20% growth in ecommerce YoY.

This raises an important question: How should brands prioritize sales channels? Should they focus on Walmart or TikTok Shops first? Let's quickly review Walmart's performance, see how its marketplace compares with Amazon, and explore what brands should do next.

WALMART'S Q2 2024 PERFORMANCE

Let's quickly go over the news: Walmart reported strong performance in Q2 2024, especially in ecommerce. Consolidated revenue grew from \$161B in Q2 2023 to \$169B, a remarkable 5% increase.

Operating income grew even faster, up 8.4% YoY. Notably, according to John David Rainey, advertising and membership accounted for more than 50% of Walmart's year-over-year operating income growth in the quarter.



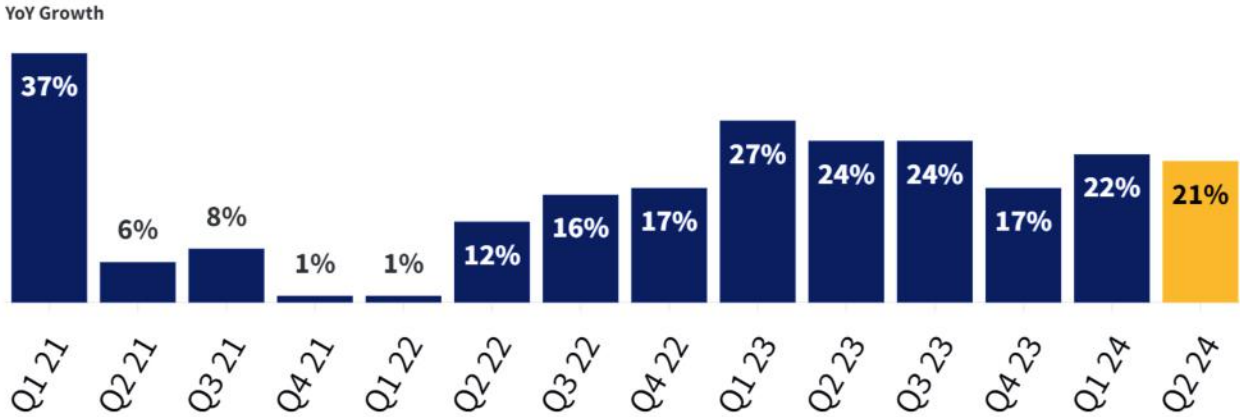
“Pickup is growing faster than our in-store or club sales, and delivery is growing even faster than pickup. Delivery accuracy and speed continue to improve”

Doug McMillon, Walmart CEO

But the real headline is Walmart's ecommerce sales growth, which hit 21% globally in Q2 2024. CEO Doug McMillon highlighted, “Pickup is growing faster than our in-store or club sales, and delivery is growing even faster than pickup. Delivery accuracy and speed continue to improve.”

Walmart Marketplace sales grew 32% YoY in Q2, showing how valuable this channel is for brands. So, is Walmart Marketplace becoming the new Amazon for brands?

Walmart Ecommerce Growth YoY



IS WALMART THE NEW AMAZON? HOW THE TWO TITANS COMPARE

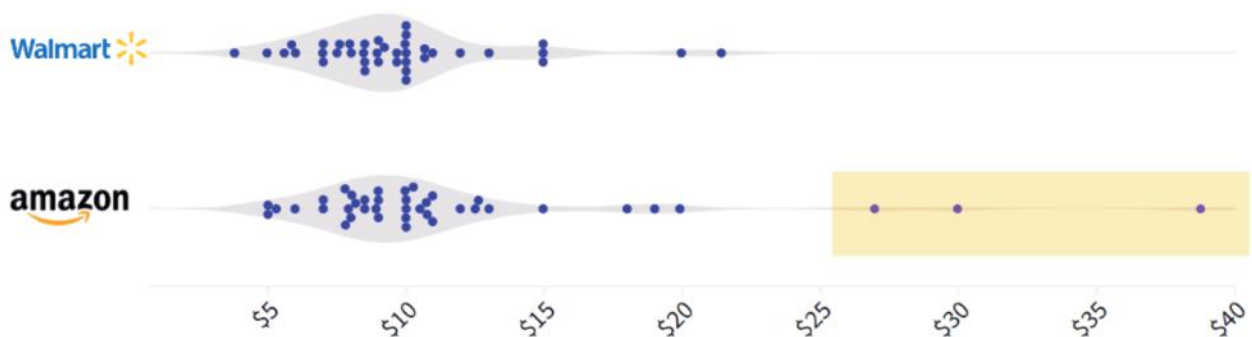
With Walmart's impressive growth in ecommerce, is it fair to say Walmart is the next Amazon? Amazon still leads in this race with a broader reach. Beyond just ecommerce, Amazon is on track to surpass Walmart as the #1 US retailer. Amazon ended 2023 with \$575B in revenue, compared to Walmart's \$648B. However, Walmart is improving fast and has several strengths that could help it compete with Amazon effectively.

First, let's talk logistics. During the Q1 earnings call, President and CEO Doug McMillon said Walmart delivered 4.4 billion items with either same-day or next-day shipping speeds in the U.S. over the past 12 months. They also reduced delivery costs by 40%. With over 4,500 stores in the US, Walmart's extensive network boosts delivery speed and efficiency—one of the top reasons people love Amazon Prime. But now, Amazon isn't the only one offering this speed.

Walmart's product assortment is also expanding extremely fast. We used to say "Anything you can think of is sold on Amazon", the same thing is becoming a reality with Walmart. The marketplace has grown from 100,000 sellers last year to over 150,000. Sure, this is not even 10% of Amazon's 1.9 million sellers, but the growth is impressive. These new sellers are bringing tons of new products to the marketplace. Walmart even offers U.S. inbound shipping to sellers in China, so we can expect even more items.

When it comes to pricing, it's hard to tell which platform is cheaper due to the lack of comprehensive data. However, studies of a few dozen items suggest prices are similar on average, with occasional large differences. In a personal experiment last year, I found Walmart slightly cheaper on average (you can check it out here: [Case Study on Walmart Marketplace](#)).

Price Distribution for the First 39 Search Results



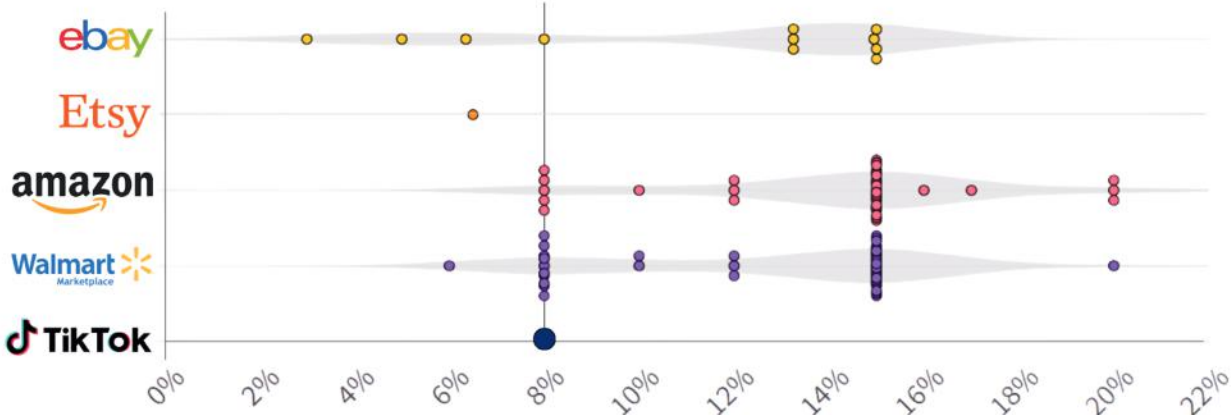
We've covered delivery speed, product assortments, and pricing—great for customers, but what about sellers? What makes Walmart Marketplace so attractive to brands and entrepreneurs?

In my opinion, the answer lies in Walmart Fulfillment Services (WFS) and its competitive fee structure. WFS is the equivalent of Amazon FBA, making it much easier for sellers to offer their products to customers.

No need to spend time and resources on order fulfillment, and the rates are competitive compared to 3PL companies. Yes, there are restrictions, but I see this program as a key reason Walmart is now attracting thousands of new sellers each month.

Finally, let's focus on the two main expenses when selling on the marketplace using WFS: referral fees and fulfillment fees. Comparing these fees across multiple marketplaces, Walmart and Amazon are pretty aligned.

Comparison of Category-Specific Referral Fees Across Leading Online Marketplaces



Referral fees for the initial pricing tiers within a category across various online marketplaces. It specifically Represents the lowest fee percentage within each category, applicable when certain sale price thresholds are not exceeded, excluding tiers specific to items priced under \$10. The data presented is gathered from the publicly available fee policies of the respective marketplaces as of the current year. For a detailed breakdown of fee structures, including higher tier pricing and category-specific nuances, please refer to the official fee policy documents provided by each marketplace.

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On the next page is a simplified case study comparing profitability across three items, focusing on referral and fulfillment fees.

It appears that:

1 - The referral fees are the same across three categories : Jewelry, Shoes and Electronics

2 - Amazon's FBA fee are slightly cheaper for light items, and more expensive for bulkier items

3 - The difference can be significant for the heaviest item : WFS fee is \$5 lower for a printer

From this comparison, it's clear that Walmart is very competitive for sellers. The main thing missing currently is traffic—Amazon still dominates in that category.

	Necklace		Shoes		Printer	
	Amazon	Walmart	Amazon	Walmart	Amazon	Walmart
Sale price	\$ 50.00	\$ 50.00	\$ 80.00	\$ 80.00	#####	#####
COGS	\$ 10.00	\$ 10.00	\$ 15.00	\$ 15.00	\$ 80.00	\$ 80.00
Referral Fee (%)	20%	20%	15%	15%	8%	8%
Referral Fee (\$)	\$ 10.00	\$ 10.00	\$ 12.00	\$ 12.00	\$ 16.00	\$ 16.00
Fulfillment	\$ 3.06	\$ 3.45	\$ 6.31	\$ 5.75	\$ 26.70	\$ 21.35
Profit	\$ 26.94	\$ 26.55	\$ 46.69	\$ 47.25	\$ 77.30	\$ 82.65

WALMART VS TIKTOK SHOPS: WHICH CHANNEL SHOULD BRANDS ADDRESS AFTER AMAZON?

When it comes to sales channels, most brands start with Amazon, and sometimes with a DTC channel. The next step often raises the question: Should brands address Walmart or TikTok Shops first in 2024?

My stance is pretty clear: Walmart Marketplace is the low-hanging fruit for those already successfully selling on Amazon. I believe Walmart should be prioritized over TikTok Shops until the initial setup is done. This sales channel works similarly to Amazon, and it's easy to reuse Amazon content and data to list products on Walmart. I also find the system to be less complex and require less daily maintenance. Yes, volumes are lower (most brands should expect 1-5% of their Amazon sales on Walmart), but it's relatively easy and low-risk.

Of course, this assumes brands are already successful on Amazon.

Walmart Marketplace is competitive—there are far fewer sellers than on Amazon, but they have to fight for a smaller amount of traffic. Competition is only increasing, with prices at the same level as Amazon's. Additionally, Amazon and Walmart Marketplace have similar cost structures. If a company is losing money on Amazon, they're likely to lose money on Walmart Marketplace too. Brands struggling on Amazon should fix their issues before expanding to Walmart Marketplace.

So, what about TikTok Shops? TikTok Shops is a relatively new channel, still much smaller than Walmart. TikTok Shops reported \$16B in GMV in 2023, compared to \$82B for Walmart Marketplace. On the other hand, TikTok Shops has 500,000 sellers, making it theoretically more competitive than Walmart.

TikTok Shops is a different beast altogether. Amazon and Walmart are optimized for product searches; it's not terribly difficult for a brand to attract traffic and generate sales. On the other hand, TikTok Shops is optimized for content and product discovery.

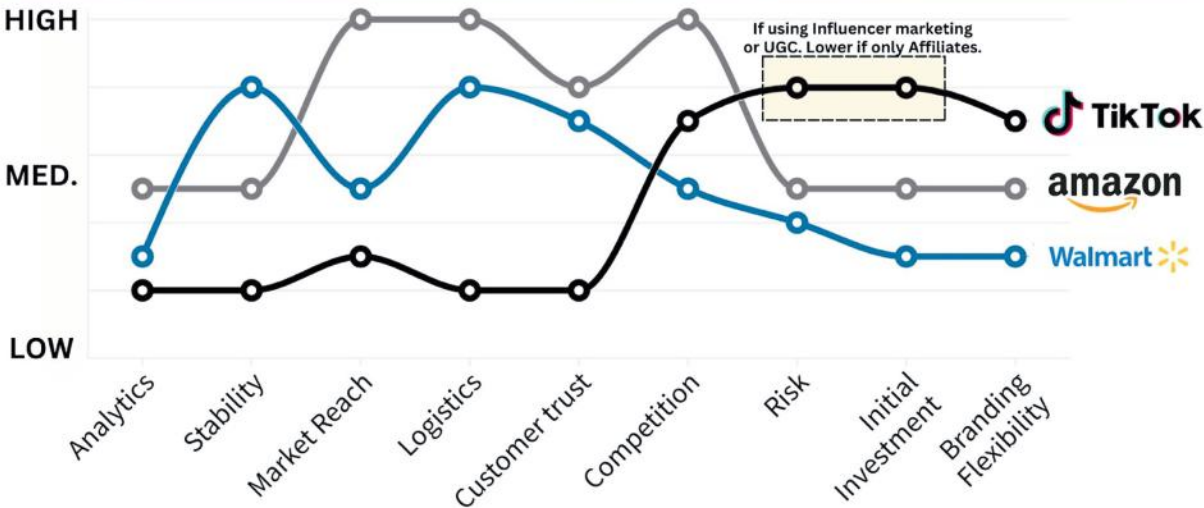
This means brands need content (either organic, through ads, or influencers/affiliates) to effectively sell their products. This can be a significant investment with no guarantee of profits. Amazon advertising is more predictable, and most brands with a good value proposition can generate sales easily. But TikTok feels more like a winner-takes-all situation—many campaigns and creatives will yield zero results, while a rare ad might generate a ton of revenue.

TikTok Shops is still a very new platform and isn't as mature as Walmart or Amazon.

They don't have fulfillment services like FBA or WFS (which can be a barrier for many businesses), have limited analytics functions, a lower market reach, and are constantly evolving. We don't even know how long it will be around. On the other hand, it can be a massive opportunity for brands with a strong social media following or those seeing great results from content and influencer marketing. This is especially true for emotionally driven purchases.

For these reasons, I recommend brands that already sell on Amazon address Walmart first, then consider TikTok Shops if they have the resources and the right products. Focusing on a DTC website can be another option, but that's a whole different conversation.

TikTok Shops Has Potential but is a High-Risk High-Rewards Channel



Comparison of Popular Platforms for Ecommerce Merchants

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CONCLUSION

Walmart's Q2 performance shows the company can thrive in the ecommerce space. Often overshadowed by giants like Amazon and the new shiny objects like TikTok Shops, Walmart has consistently proven to be a major player.

Walmart's marketplace and logistics capabilities are strong reasons for brands to prioritize this channel.

While TikTok Shops offers an exciting opportunity, especially for brands with a strong social media presence, Walmart's established infrastructure, lower risk, and ease of entry make it the clear next step for those already successful on Amazon.

Walmart may not yet rival Amazon in size, but its consistent growth and strategic investments suggest it's a platform brands cannot afford to ignore.

<https://www.digitalcommerce360.com/article/walmart-online-sales/>

<https://www.statista.com/forecasts/1218322/walmart-revenue-development-ecommercedb>

<https://corporate.walmart.com/content/dam/corporate/documents/newsroom/2024/08/15/walmart-releases-q2-fy25-earnings/q2-fy25-earnings-release.pdf>



OTHER NEWS FROM AUGUST 2024

AMAZON RECALLS 400,000 PRODUCTS : IS THE CUSTOMER YOURS OR AMAZON'S?

When I buy an item on Amazon, sold by a third-party seller and shipped by Amazon, am I considered the third-party seller's customer or Amazon's customer?

Amazon can't have it both ways.

If I am the third-party seller's customer, that brand should be able to contact me directly, build a relationship with me, and even send me marketing messages if I agree. Amazon should not have too much control over the brands' listings and replace parts of it with AI-generated content.

On the other hand, if I am Amazon's customer, I believe they should be responsible for recalls on unsafe products.

"...the CPSC on Tuesday said an administrative law judge sided with the agency, ruling that Amazon acted as a distributor for third-party goods."

I find this decision interesting, as Amazon plans on facilitating direct shipping from China. This is good news for consumers and for businesses that comply with US regulations, with strict quality control processes.

I still wonder how Amazon can realistically limit the risks for consumers, knowing there are now over 600 million items listed. With their current strategy, are they going to be more selective about who can list their products? Or are they going to pass inspection costs onto third-party sellers?

Amazon forced to recall 400K products that could kill, electrocute people after Consumer Safety decision about years-old purchases
Dailymail 07/30/23

<https://www.dailymail.co.uk/news/article-13690963/Amazon-forced-recall-400K-products-kill-electrocute-people.html>

SHEIN RECALLS TOXIC ITEMS

How many people will read this article and think, "It's okay, I'd never buy those toxic clothes from Shein made in sweatshops. I get my clothes from Amazon"?

The issue with the current marketplace environment is that many brands and suppliers are selling across multiple channels. While this makes sense for them, it leads to each platform's assortment becoming more and more similar, sometimes even including dangerous products. Amazon successfully attracted millions of sellers to offer lower prices to customers, they can't realistically test every new product listed. And I assume offenders can easily create a new account to start selling again.

I don't see significant changes happening until regulators step in. Quality control isn't free, and I can see this becoming an additional expense passed on to brands.

But beyond quality issues, I believe that marketplaces saturation will change the way we shop in the next few years. Product discovery and personalization will become even more important for marketplaces and social media platforms. This will make branded search more valuable than ever, giving brands that succeed across multiple channels a significant advantage.

There's been a lot of talk about customers increasingly preferring cheaper, no-name brands, and I agree to an extent. But that doesn't mean all brands are doomed. Those that offer great value and a unique value proposition will thrive, while weaker brands or commoditized products will struggle.

"Shein recalls toxic kids' clothes after failing chemical tests" MSN 08/02/24

<https://www.msn.com/en-us/travel/news/shein-recalls-toxic-kids-clothes-after-failing-chemical-tests>



AMAZON REBRANDS THEIR RESALE PROGRAM

I'm all for recommerce and extending a product's lifecycle. Not only is this better for the environment, but it also gives customers opportunities for real bargains.

These days, it seems like every other retailer has a resale program. Amazon is rebranding its own program as "Amazon Resale." While it sounds good on paper, I'm a bit skeptical about its execution.

I love the idea of giving customers the option to buy new or used on the same product page. This allows them to quickly weigh their options while providing sellers with opportunities to move their used items. However, I see two problems with the current system:

1 - The Buy Box on Amazon usually highlights the new product over the used version. In some cases, there's no Buy Box at all, just a message saying "No featured offers available," which customers might interpret as "Out of stock," even though there's a used option below the fold. The used option is hard to find, and the "Amazon Resale" category isn't very user-friendly.

2 - According to the announcement, "Yes, your Amazon Resale purchases are covered by Amazon's returns policy." I'm concerned that some customers may buy products that don't meet their expectations, leading to a customer service and profitability nightmare for sellers. I think Amazon's return policy is too liberal for secondhand items, and that eBay's model—where the seller's reputation is prominently displayed—works better.

I can't complain about this huge retailer developing a resale program, and I understand the goal isn't to beat eBay (or Craigslist) at their game. However, if Amazon wants this feature to be a meaningful part of their platform, I think they should: 1 Display the option to buy used in the Buy Box and 2 - Adjust their return policy / work with reputable sellers only.

"Amazon Warehouse for Used Goods Is Rebranded to Amazon Resale" CNBC 08/20/24

<https://www.cnbc.com/2024/08/20/shein-sues-temu-over-copyright-infringement-trade-secret-theft.html>



SHEIN ACCUSES TEMU OF COPYRIGHT INFRINGEMENT

Remember when cyclist Lance Armstrong accused other athletes of doping and cheating while his own doping practices were being exposed?

Could the same scenario be unfolding with Shein and Temu? Both companies are suing each other for copyright infringements, and they're also facing lawsuits from various outsiders.

Here's my favorite part of the article: "The complaint includes a screenshot of a Temu-sponsored Google ad that shows Shein in the headline but Temu as the web address."

If true, it's sad that such large companies resort to cartoonish marketing tactics to steal market share from each other. The Tom and Jerry of the e-commerce world would be a funny concept if it weren't a potential threat to smaller businesses and employees.

Shein sues Temu over copyright infringement, alleges rival loses money on every sale

CNBC 08/20/24

<https://www.cNBC.com/2024/08/20/shein-sues-temu-over-copyright-infringement-trade-secret-theft.html>





SEPTMBER 2024

FROM MOST HATED BRAND TO SUPERSTAR RETAILER

AN OVERVIEW OF ABERCROMBIE & FITCH'S DIGITAL PRESENCE

If I had a time machine, I'd go back to just two years ago, Q2 2022, and buy ANF stock when it was still under \$20. Now, it's hovering around \$150, and some analysts are calling it the "comeback of the decade." In 2016, the brand was considered "America's most hated retail brand" by the American Customer Satisfaction Index. So, how did the company rise from the ashes to become a major success today?

I'm convinced that part of the answer lies in their digital strategy. Samir Desai, Chief Digital and Technology Officer, said, "The Abercrombie and Fitch Company business through COVID saw their business become 50%, almost 60% digital, so a big spike in digital." As we'll see in this brief overview, the company is doing a lot of things right. Let's review their sales channels, policies, and marketing initiatives.

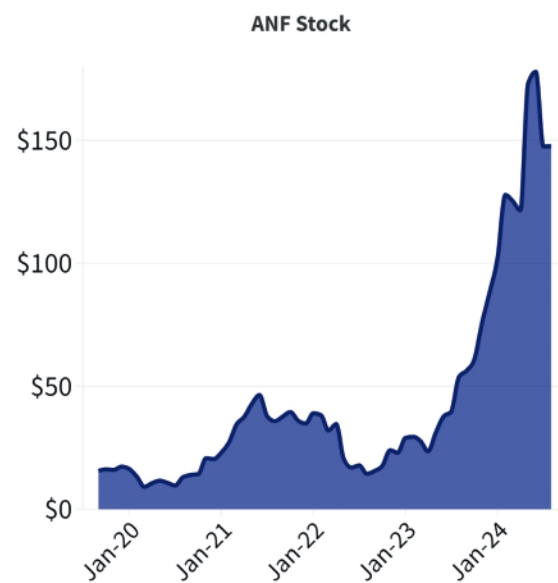
OVERVIEW OF ANF AND Q2 2024 PERFORMANCE

Before looking into the brand's impressive results, let's take a moment to look at the brand's history and its recent strategic shift. Abercrombie & Fitch is an American retailer known for its casual, preppy clothing targeting young adults. Founded in 1892, the brand gained popularity in the late 1990s and early 2000s for its exclusive image. At that time, A&F was all about the "cool, attractive kids," with dimly lit stores, shirtless models, and loud music. I can still remember the overpowering cologne that was constantly sprayed around the store. However, this approach began to alienate customers as they started expecting more authenticity from brands.

In recent years, A&F has completely rebranded, moving away from its controversial image. The company focused on inclusivity, modernized its product offerings, and adopted a more diverse marketing strategy. This includes using real customers in campaigns and promoting comfort and versatility in its clothing lines. Additionally, and what matters to us in this article, A&F has improved its ecommerce presence and digital shopping experience, which has helped the brand reconnect with a broader audience and stay relevant in a competitive retail industry.

And this plan seems to be paying off: The stock has surged about 89% so far in 2024, following an even more impressive performance in 2023.

According to Dana Telsey, analyst at Telsey Advisory Group, "While the market may have been looking for a stronger guidance lift for the year, given momentum across the business, we see a beat and raise as impressive given a moderating top-line outlook in response to a choppy macro environment across many of Abercrombie's specialty retail peers." Sales of the A&F brand increased by 26% in Q2 2024, and by 17% for its Hollister brand. The company expects an annual increase of 12% to 14%. However, Abercrombie CEO Fran Horowitz now warns of "an increasingly uncertain environment."



I have no doubt that the company's efforts in increasing their ecommerce sales contributed to this performance. A&F CFO Scott Lipesky explains, "Digital has been doing well in double-digit comps we're seeing across channels [...] Day in, day out, we are making investments in that experience across apps, across mobile web. And we are seeing that come through."

So, what's A&F's secret to generating more online sales? Is it purely the product that is more attractive to customers, and mechanically increased online sales?

And could there be room for improvement? Let's look at a few key aspects of their online business and see what the brand is doing right.

“

“Digital has been doing well in double-digit comps we’re seeing across channels [...] Day in, day out, we are making investments in that experience across apps, across mobile web. And we are seeing that come through.”

Scott Lipesky, A&F CFO

SALES CHANNELS MIX

It looks like A&F primarily operates through their direct-to-consumer (DTC) website and app, but some of their items can also be found on marketplaces. Let's quickly cover these alternative channels before analyzing A&F's own channels.

MARKETPLACES

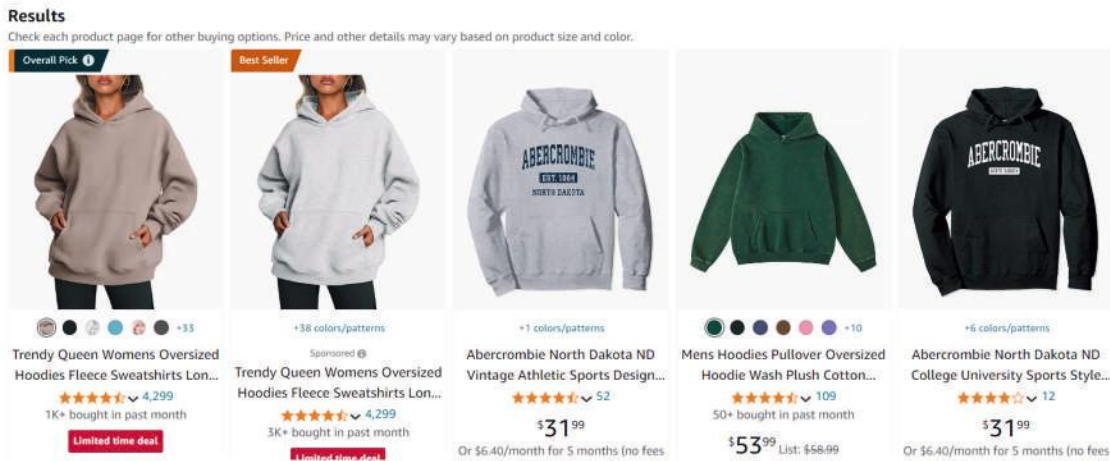
When looking at the top marketplaces (excluding resale of used items on eBay or Vinted), it appears that A&F clothes are not listed—only their perfume and cologne are available. I see this as a positive: the brand aims to position its products as “entry-level luxury,” so it's better for them to maintain control over the entire customer shopping experience.

This way, they avoid the risk of sellers listing counterfeit or damaged items and potential customer service issues that could harm the brand. Additionally, A&F's brand is strong enough to generate significant product searches off Amazon, allowing them to collect more data on their customers and offer a more tailored shopping experience. It was a smart move to have Amazon sell A&F gift cards, as this drives traffic from Amazon to the retailer's own site.

I still think A&F should register their brand on Amazon and Walmart Marketplace—not to list their products and sell directly, but to have control over existing content. The listings for their colognes are controlled by third parties, and I believe it would make sense for the brand to manage these pages.

When searching for “Abercrombie & Fitch Hoodie,” I don’t find their items, but I do see a brand with a similar aesthetic to some of their older collections.

I wonder if this is an IP violation, but it could pose a problem, albeit nothing too serious. I didn’t see anything like that on Temu or Shein, fortunately.

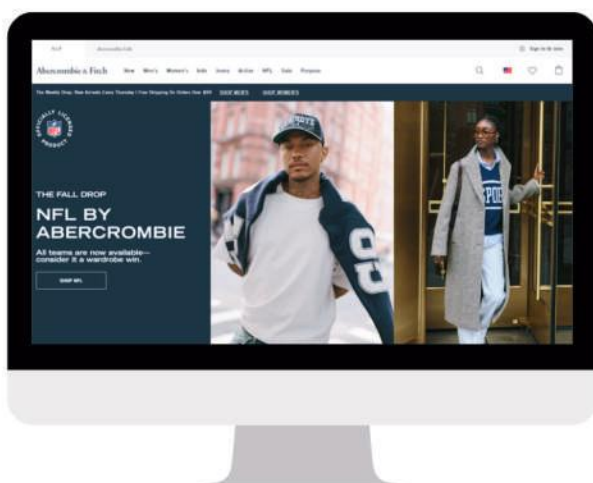


Amazon results for “Abercrombie Hoodie”

Overall, A&F’s strategy regarding marketplaces is consistent, and I don’t think they should sell on Amazon or Walmart, as it wouldn’t align with their brand image.

A&F DTC WEBSITE

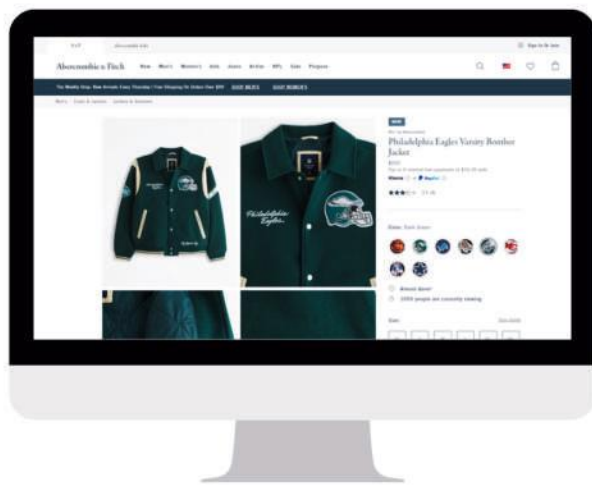
I won’t dissect every element of the UI of abercrombie.com, but I’d like to highlight a few key aspects. And let me tell you, I’m very impressed with what their team has achieved.



The website is overall clear, easy to navigate, and the aesthetic perfectly fits the brand, in my opinion. It’s easy to find the items I need, and the homepage does a great job of showcasing recent products, current deals, and other relevant information. Bonus points for the banner informing customers about the threshold for free shipping.

The product pages are just as good as the homepage. They offer clear navigation, with all relevant information easily accessible (size charts, shipping and returns info, details on materials used, etc.), and engaging visuals with a good mix of product and lifestyle pictures.





Product Page

The shipping policy seems coherent, although the various delivery options can be a little confusing. There's standard delivery, two-day, next-day, and sometimes same-day delivery available at different price points. I tend to prefer when retailers display specific dates rather than just how long it takes.

<p>Standard For most orders, allow 4-9 business days for delivery. Some areas can take up to 14 days for delivery. Gift Card Only Orders Ship Free</p>	\$7
<p>Two Day Order must be submitted before 12:00pm EST Monday-Friday \$7 for Gift Card Only Orders</p>	\$15
<p>Next Day Order must be submitted before 12:00pm EST Monday-Friday \$10 for Gift Card Only Orders</p>	\$22
<p>Same Day Delivery* Orders must be submitted 4 hours before the Fulfilling Store's Closing *Delivery Address must be within service distance of Fulfilling Store *All items must be available to be fulfilled by the same Store</p>	\$10

The returns policy makes sense: a 30-day timeframe and a \$7 fee for the return label. A&F makes good use of their stores, offering free in-store returns, which can drive foot traffic and increase customer lifetime value. I'd like to see the company offer the first return for free (it's often difficult to pick the right size when ordering clothes from a brand for the first time), but overall, this policy is reasonable. Speaking of their stores, A&F allows customers to check an item's availability at specific locations—a great example of providing a solid omnichannel experience, which is crucial for brands like this.

Returns must be made within 30 days for refunds to process to the original form of payment.

In-Store

- Return to an eligible store for a refund to be credited to the original form of payment.
- Bring your merchandise in its original condition.
- Show your ship confirmation email or invoice.

Online

- Start your return online and use the emailed return label to send your merchandise back. A fee of \$7.00 will be deducted from your refund for the use of this label.
- You will receive an email confirmation upon our receipt of your return package.
- Returns must be made within 30 days for refunds to process to the original form of payment.

For further details and our In-Store Purchase Return Policy, see our [Return & Exchange Policy](#).

Extracts from A&F Shipping and Return Policies

The “How to style it” section has become wildly popular in the fashion industry, and for good reason—it’s a great way to cross-sell products.

I believe A&F could take it a step further by incorporating personalization and/or more engaging visuals, such as lifestyle images.



The reviews page is clean, seems authentic, and contains all the information relevant to the customer. I appreciate seeing user-generated content (UGC) and customers uploading pictures of themselves wearing the clothes, though I understand it might not fit within A&F’s website aesthetics. Perhaps a compromise could be made, where the brand selects which pictures to display on the site.

It might reduce some authenticity, but it still shows the clothes on regular people in a regular environment. Finally, the “Purpose” page is well-designed, easy to read, and conveniently displays a lot of real initiatives the brand is taking. However, it looks a bit too polished and might feel more authentic with some videos of the people involved.



ABERCROMBIE AND FITCH APP

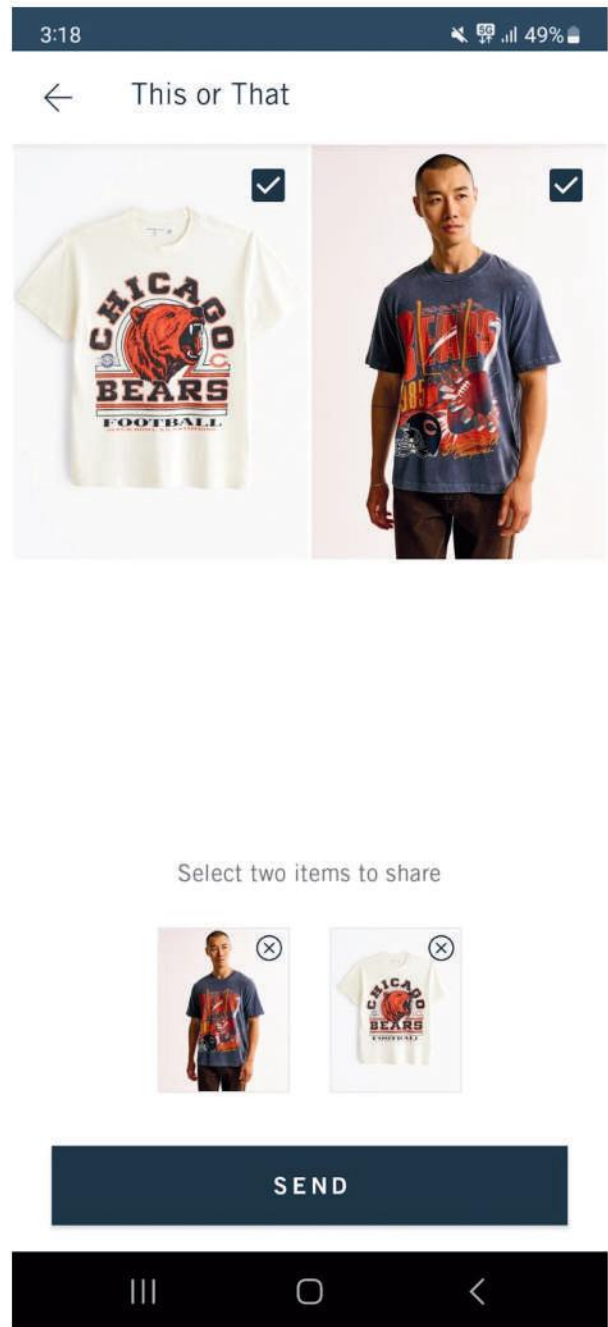
I downloaded the A&F app, and it's just like their website: clear navigation and an aesthetic that fits the brand. The app crashed once, but other than that, it was easy to find the same content I found on my desktop. I also saw personalized recommendations relevant to my browsing history and the items in my cart, making for an enjoyable shopping experience.

Mobile drives a lot of revenue, especially among A&F's target demographic. It's no surprise that the company has invested in it. I'd like to highlight two innovative features that A&F has introduced.

The first is called "This or That," which allows users to pick two items in the app and send them to friends to ask for their opinion. I'm not sure about the adoption rate of this feature, but it seems like a relatively simple implementation that fits well within the app.

The second example is more significant and impactful. Samir Desai explains it well in an interview posted on the NRF website:

"One of the pain points we observed earlier on with our Hollister brand was that, you know, the primary target customer is a high school teenager. They love browsing our app. They look at product, but then they don't have a credit card to buy.



And so, they kind of hit a wall and they're not able to transact. So they take screenshots, they text their parents, and there's a lot of this offline activity (offline meaning off of our app activity) that's happening.

We thought, how do we make this process seamless? So, we launched this feature that we call share-to-pay.

the parent receives a link, opens it, looks at the items, and they can edit the bag if they like. They can remove items, add new items, and they can pay for that purchase. It's been a wonderful feature and it's been a big success for us."

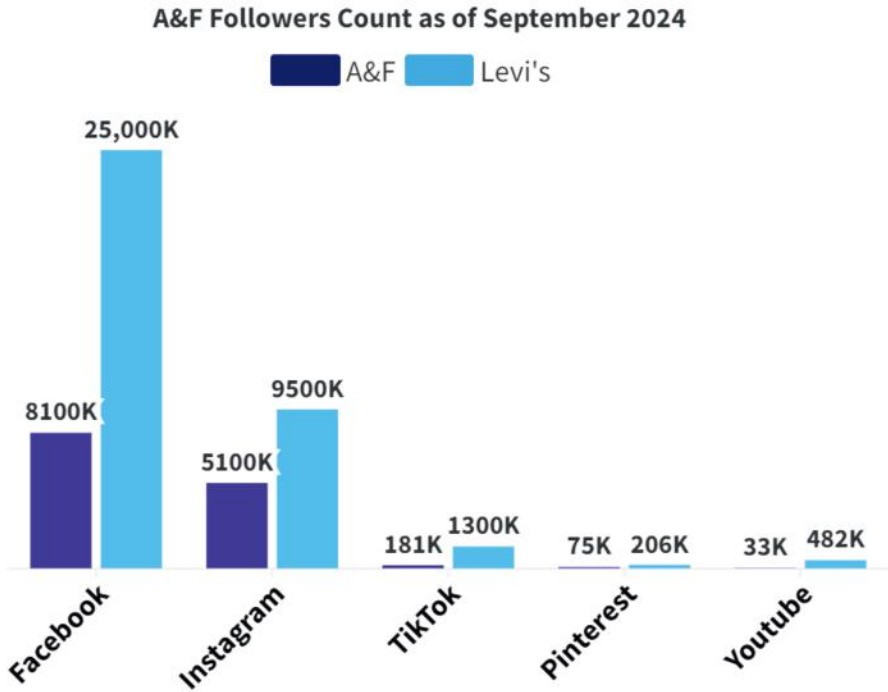
I found this innovation very clever and relevant to Hollister target demographics needs. Overall, I think the app is as good as the website, and I can see why customers may enjoy using it to shop.

SOCIAL MEDIA AND DIGITAL MARKETING

I'm not a social media expert, but it's interesting to compare A&F's follower count across various platforms.

When I look at Levi's (which I wrote about in July), it's clear that A&F is behind, especially on TikTok. Both brands started posting on TikTok at the same time, yet Levi's has significantly more followers and engagement.

I wonder why that is. My guess is that Levi's appeals to a broader audience, and A&F has only recently seen a massive increase in revenue. I also find Levi's content more engaging and less sales-oriented, though that's just my opinion. If someone with more experience in this field could shed light on A&F's social media strategy, I'd be interested to hear it.



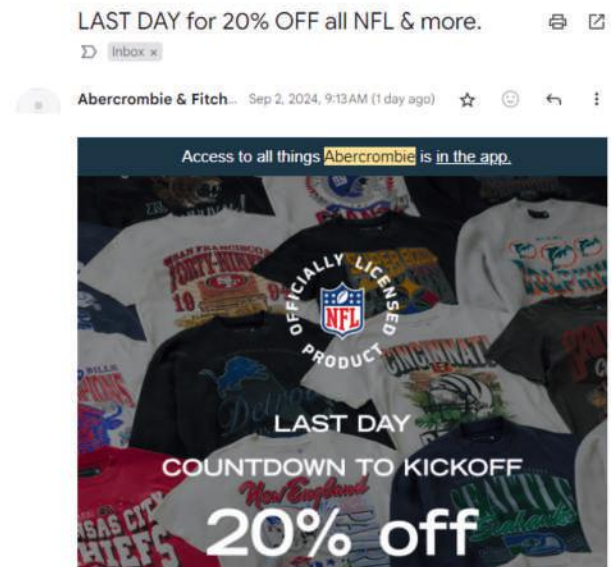
That said, it's clear that A&F's social media content aligns with their rebranding efforts. The company has moved away from its old image of exclusivity and shifted towards inclusivity, diversity, and body positivity. Their posts now showcase a wide range of models and customer stories, featuring diverse body types, ethnicities, and backgrounds. A&F is communicating its new values: self-expression, individuality, and authenticity.

The brand maintains a clean, modern aesthetic that fits with their updated image and appeals to their target demographic of young adults. They actively encourage customers to share their own content and collaborate with influencers. While I think there's still room for improvement in terms of authenticity, they're doing a good job overall. I also believe A&F could strengthen its social commerce efforts. While I understand why they avoid listing products on Amazon or Walmart.com, stepping up their social commerce game wouldn't hurt their brand and could reduce some friction in the shopping experience.

Like many brands, Abercrombie uses email marketing with daily emails. These emails are fairly standard and look similar to what other brands send. I do appreciate the reminders to use their app, but I think A&F could benefit from more personalization (if they aren't doing so already) and highlighting their best deals directly in the emails.

CONCLUSION

I believe Abercrombie & Fitch's impressive comeback in recent years is largely due to their repositioning, combined with a well-executed digital strategy.



Example of A&F marketing emails

Their shift to a more engaging online presence has paid off, as evidenced by the significant growth in their stock and revenues. With over 50% of their business now digital, A&F clearly understands the importance of ecommerce.

While I see some areas for improvement, for example regarding authenticity, I think the brand has done exceptionally well and remains highly relevant in 2024. Ultimately, this success wouldn't have been possible without their successful rebranding and relevant product offerings. I'm impressed with A&F's innovations in ecommerce and will continue to follow their progress closely.

<https://www.cnbc.com/2024/08/28/abercrombie-fitch-anf-earnings-q2-2024.html>

<https://www.reuters.com/business/retail-consumer/abercrombie->

<https://nrf.com/blog/inside-digital-transformation-abercrombie-fitch>

CHANGES ON THE DE MINIMIS RULE

Who are the Winners and Losers?



Is this the end of \$0.50 funny cat socks and \$5 disposable dresses? There's been a lot of buzz over the last year about the de minimis rule, which has been exploited by companies like Shein and Temu. Now, the Biden-Harris administration is pushing for new regulations.

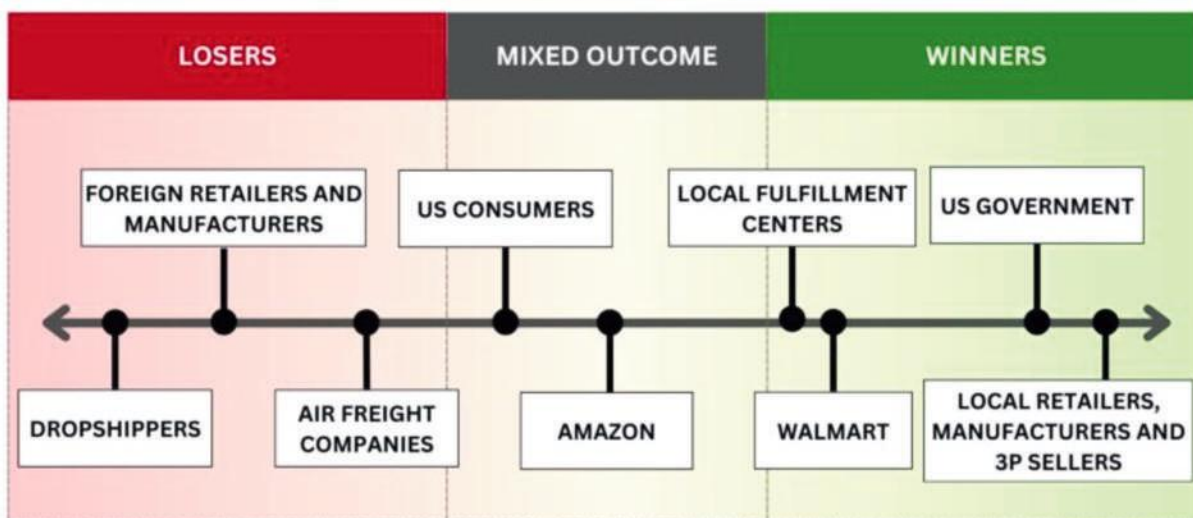
It seems like a direct jab at the two Chinese giants, but these changes would affect a lot more players. How bad could it be for Temu and Shein? And who will lose or benefit from the elimination of the de minimis rule? Let's find out.

THE NEWS : POTENTIAL CHANGES ON THE DE MINIMIS RULE

In recent news, the Biden-Harris administration has plans to reform the de minimis exemption. They want to limit the types of goods eligible for this rule and increase shipment information requirements. These changes would block certain products from benefiting from the exemption and demand additional details like tariff classification numbers and compliance certificates. This comes in response to growing concerns about how the de minimis rule is being used by foreign companies—especially Chinese giants Shein and Temu—to avoid tariffs on low-value imports.

Section 301 tariffs (impacting around 40% of U.S. imports) would now prevent these products from using the de minimis exemption. The administration is also urging Congress to pass legislation, especially for industries sensitive to imports, like textiles and apparel. Key organizations such as the Retail Industry Leaders Association are backing these reforms. Additionally, the administration needs to address illicit shipments like fentanyl imports. While regulators have introduced several bills over the years to reform the rule, none have passed yet. The de minimis rule has been around for almost a century, but its use has skyrocketed with the rise of major Chinese online retailers.

De Minimis Rule Update - There Are Clear Winners and Losers



fmaingret.com

THE LOSERS

FOREIGN RETAILERS AND MANUFACTURERS

Obviously, if foreign retailers like Temu and Shein—though they aren't the only ones—had to pay import taxes (currently around 12%) when shipping to the U.S., it would hit their revenues and margins. Changes to customs regulations could also disrupt supply chains, creating delays that would affect these retailers.

Does this mean the end of Shein and Temu in the U.S.? Not exactly. Even with a 12% import tax, these companies would still be price competitive. If they pass on the cost to customers, they might lose some, but they'll likely remain cheaper than other retailers, even those selling on platforms like Amazon. Plus, both companies are diversifying their operations and supply chains, opening fulfillment centers and factories outside of China, including in the U.S.

AIR FREIGHT COMPANIES

If new regulations cause a drop in shipment volumes from China to the U.S.—either due to reduced sales or shifts in fulfillment methods—air freight companies could see lower volumes and lower rates. According to a Forbes report in May, Temu and Shein ship about 9,000 tons of air freight daily from airports in southern China, which is the equivalent of 88 Boeing 777 flights. Though rates have dropped a little recently, they're still double what they were in 2019.

US CONSUMERS

Even though some reports say consumers feel better about the economy, many are still struggling and are attracted to Temu and Shein's low prices. Even high-income households shop with them, but those with less disposable income could start cutting back if prices rise in response to new regulations.

On the other hand, tighter rules could reduce safety risks and limit the distribution of illicit products. It might help for example the U.S. Customs and Border Protection intercept packages containing chemicals used to make fentanyl. Safety concerns have also been reported during manufacturing, with tests in South Korea finding that some Shein shoes exceeded legal limits for harmful chemicals, including a pair that had 229 times the legal limit for phthalates.

DROPSHIPPERS

Overall, I think those who will lose the most if there are changes on the de minimis rule are dropshippers who source their product in China. They were already struggling with low profit margins and higher acquisition costs, mostly due to pressure on price from companies selling directly through Temu or Shein. This change could be another nail in the coffin and make their model even less sustainable, unless they are operating within extremely specific niches that do not compete with large DTC brands or marketplace.

THE WINNERS

LOCAL FULFILLMENT CENTERS

Removing the de minimis loophole could cause two things: 1) Local companies might become more competitive if Chinese sellers raise their prices, and 2) Chinese sellers might start fulfilling orders from local fulfillment centers rather than shipping directly from China. This would create opportunities for local 3PLs and other supply chain businesses involved in local distribution.

THE US GOVERNMENT

In addition to supporting local retailers and manufacturers, removing or limiting this loophole would allow the U.S. government to collect tariffs on a greater volume of imported goods. This could result in hundreds of millions of dollars in additional revenue annually, as more products would be subject to import taxes. Many products entering under the de minimis rule bypass customs checks, and changing this rule could make it easier for customs to detect unsafe or counterfeit items.

WALMART

If the U.S. eliminates the de minimis rule, this could be good news for Walmart as the price gap between its products and those from Temu and Shein could narrow. On the ecommerce side, Walmart doesn't rely on goods shipped directly from China via small parcels, and these changes could make its marketplace more attractive to customers and 3P sellers.

LOCAL RETAILERS AND MANUFACTURERS

Local retailers and manufacturers could also gain if Shein and Temu raise their prices. This would help level the playing field, boosting domestic competitiveness. However, I still think local businesses will likely still be at a price disadvantage, though more U.S. consumers could turn to buying locally-made products.

MIXED OUTCOME : AMAZON

In recent years, Amazon made it clear that they see Temu and Shein as a threat. And any regulation that could slow down these companies is a net benefit for Amazon. The giant relies on 3P sellers and local inventory to fulfill orders, which do not fall under the de minimis loophole. Retaining enough 3P sellers is key for Amazon and higher prices from Shein/Temu could help these sellers remain competitive.

On the other hand, this idea could speed up the implementation of alternative ways for Chinese retailers to distribute goods in the US. For example, Temu working more and more with local fulfillment centers could mean the company will drastically reduce their delivery times, one of Amazon's greater strengths. Also, Amazon recently started to experiment with selling items directly from China, and changes in regulations could impact them as well on this new side of their business.

CONCLUSION

The proposed reforms to the de minimis exemption clearly target Shein and Temu, but they also affect other companies that use the rule to avoid tariffs on low-value imports. Removing the exemption and requiring more shipment information would impact both international and local retailers, U.S. consumers, and supply chain businesses.

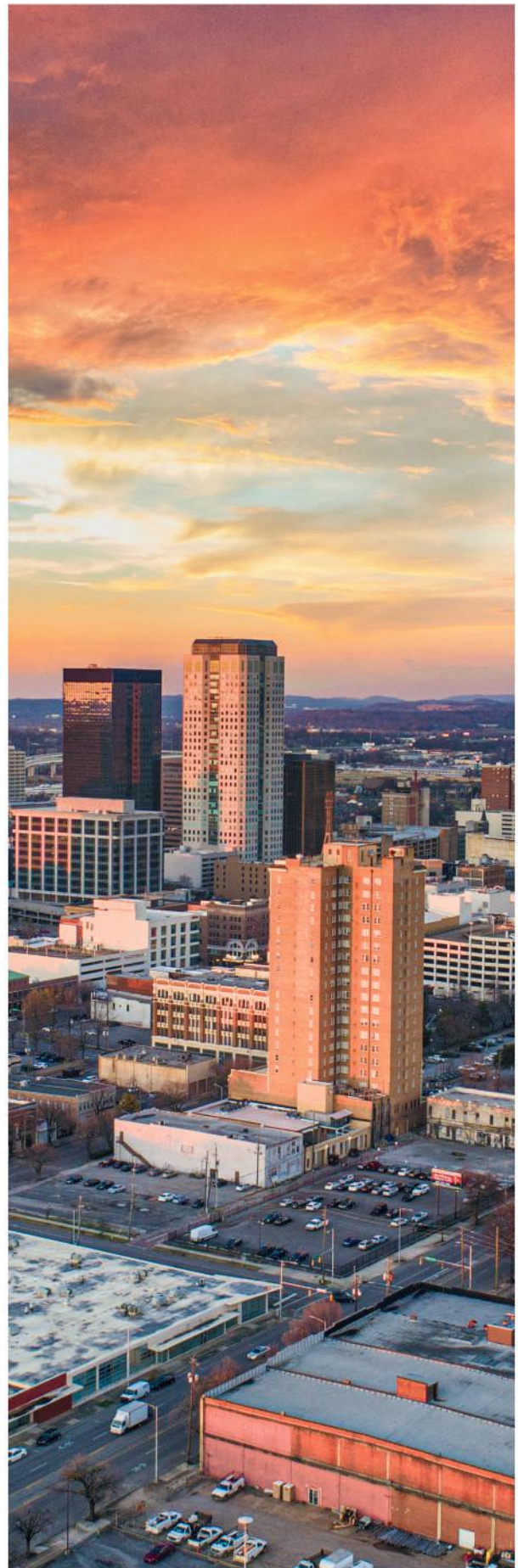
While foreign retailers might face higher costs, I don't believe this will be the end for them. In fact, it might push them to expand their U.S. operations. At the same time, the U.S. government would benefit from increased tariff revenue, though consumers might see higher prices.

Air freight companies could lose out, and for Amazon, the outcome remains uncertain as this may trigger changes in Temu and Shein's business models.

<https://www.cnn.com/2024/09/13/de-minimis-shein-temu-biden-china-rules.html>

<https://www.supplychaindive.com/news/biden-harris-de-minimis-rulemaking/726955/>

<https://inc.com/bruce-crumley/sales-boom-for-shein-temu-sends-air-freight-rates-soaring.html>



IS TEMU KILLING DOLLAR STORES?

WHY ARE DOLLAR STORES STOCK PRICES CRASHING

When I first heard about Temu, my initial thought was about how unsustainable the model seemed. But my second thought went to dollar stores: How could they compete with a website that makes it easy to find thousands of even cheaper items and have them delivered directly to your home, instead of having to search through the aisles of these stores?

Having recently read about Dollar Tree and Dollar General's stock prices dropping significantly in the last quarter, I immediately wondered if competition from Temu and Shein was too much for these companies. Was my assumption correct, or is the situation more complex? Let's see what's happening with dollar stores and see if Temu is responsible for the drop in their stock prices. Then, I'll quickly review what I observe on the digital side of these companies.

WHAT HAPPENED TO DOLLAR STORES?

Looking at stock prices, Dollar Tree declined by 32% YoY and close to 50% YTD. It isn't much better for Dollar General, with -22% YoY and -38% YTD.

Some other chains are in worse shape. I'm thinking of 99 Cents Only, which went out of business (although many locations will be turned into Dollar Trees).

Dollar Stores Stock Prices Declined Year-over-year



So, what happened to these stores? According to their executives, the macro environment and changing customer behavior are to blame, with more Americans cutting down on basic items.

Dollar General CEO Todd Vasos stated, "Inflation has continued to negatively impact these households, with more than 60 percent claiming they have had to sacrifice on purchasing basic necessities due to the higher cost of those items." He also mentioned that the largest segment of the company's consumers are households with incomes under \$35k a year.

“Inflation has continued to negatively impact these households, with more than 60 percent claiming they have had to sacrifice on purchasing basic necessities due to the higher cost of those items”

Todd Vasos, Dollar General CEO

Dollar store executives also recognize that even customers with higher household incomes (\$125k and up) are cutting down on non-essentials, such as party supplies. Dollar Tree COO Mike Creedon noted that the company was “navigating through one of the most challenging macro environments” it has faced.

While executives are blaming the economic environment, could there be other reasons why dollar stores are underperforming? I read dozens of comments in a Daily Mail article (linked below) to get an idea of what customers think about dollar stores.

B **Betwixt-Between_112** ...
EARTH, United States · 8 September, 2024
Exactly! We don't have a grocery store near us but there are many Dollar Stores around. I order groceries for the week to avoid shopping in these stores as it costs too much.
[Reply](#) · [Share](#) ↑ 159 ↓ 7

Comment on the Daily Mail article (link below)

Two recurring themes in the comments were pricing/locations and the in-store experience. Dollar stores tend to be popular in rural areas with few options, and many customers seem to believe these chains are overcharging for food. Some report going there only when they can't or don't want to drive to the nearest Walmart. Others question the high density of dollar stores in their area.

The other theme is the in-store experience. Customers report messy stores, with empty shelves and boxes scattered all over the store. Some even question the working conditions and pay of the employees.



“Family Dollar’s sales have been sputtering, hurt by neglected stores, poor product selection, and unhappy workers.”

The Wall Street Journal -
2018

- M** **mojo** ...
 Port St Lucie, United States · 8 September, 2024
 I was thrilled to find a Dollar Tree near me when I move to a new town because I love some of their craft items. However, when I went into the store it looked like a tornado had hit it. There was more merchandise on the ground than the shelves and add to that it was in an awful looking shopping center in a bad part of town.
 Reply · Share ↑ 149 ↓ 3
- C** **coldspringharbor** ...
 Anywhere, United States · 8 September, 2024
 Yeah, the Dollar Tree stores near me pretty much look like that, unstocked boxes and in need of vacuuming. I think the pay is very minimal and they work the few employees to the bone. The managers in some of the stores are not exactly respectful to the workers. The management probably doesn't get paid much more. The Dollar Tree is the only dollar store I go in. Good for a greeting card or gift wrap, a few other items. I won't buy any food or toothpaste or stuff like that. It was much more fun when they left the stuff at one dollar. The dollar trees around me are now \$1.25. I was never attracted to the dollar stores except for the Dollar Tree. I never go in the dollar general or family dollar. I prefer Walmart as I have a few Walmart's near me. They are cheaper than dollar general or family dollar and I trust the product at Walmart. I doubt dollar general, or family dollar have an easy return. I never cared for either one. I love the Dollar Tree for some things. The other dollars stores, nah, never go in.
 Reply · Share ↑ 29 ↓

Comment on the Daily Mail article (link below)

I'm not sure about the working conditions in these stores, but I have seen many discussions about the store experience. Retail experts like Walter Holbrook frequently mention dollar stores' struggles with keeping shelves stocked.

This isn't a new issue. The Wall Street Journal reported in 2018 that "Family Dollar's sales have been sputtering, hurt by neglected stores, poor product selection, and unhappy workers."

Earlier this year, Family Dollar was ordered to pay \$41.6 million after using a rat-infested warehouse to distribute products, including food, to over 400 stores in the South.

Finally, many experts and executives report that competition from Walmart poses a challenge for dollar stores, especially on basic items.

Todd Vasos admitted that Walmart has been "doing a pretty nice job" in attracting bargain-hunters. This is particularly difficult for dollar stores, as Walmart has a strong presence in the areas where dollar stores operate.

IS TEMU KILLING DOLLAR STORES?

So, is it all Temu's fault? No one can ignore the size of the Chinese giant and the impact it's had in the U.S.

From Super Bowl commercials to digital ads everywhere, Temu quickly gained market share. And to be honest, I expected its entry into the U.S. market to be rough for dollar stores. But before I give my opinion on its role in dollar stores' struggles, let's quickly go over what Temu and dollar stores have in common and how they differ.

What attracted customers to Temu is obviously the extremely low prices on a wide assortment of items. Low prices are also key to dollar stores' value proposition; it's even in their name. Temu and dollar stores both offer a wide range of low-cost products across categories like household goods, beauty, and electronics.

As a result, both focus on high volumes rather than high margins. Another thing these two models have in common is that they've both faced several controversies and frequent complaints. Dollar stores have been criticized for limiting access to fresh food and allegedly underpaying employees. Temu faces concerns over data privacy, counterfeit goods, and labor practices.

However, there are also several important differences between Temu and dollar stores. The most obvious one is that Temu does not have physical retail locations in the U.S. (at least for now). This means customers must order online and wait several days or weeks for delivery. While online shopping is convenient, many shoppers would rather have their items immediately.



“Temu’s sales among customers earning \$190k grew faster than any other segment, and customers earning \$55k or less grew the slowest. Forty percent of the company’s customers are making above \$130k per year.”

Rmwcommerce data

Have a Halloween party tomorrow? Too late to shop on Temu, but there may still be cool things to grab at your local dollar store.

Another difference is that dollar stores make food and drinks a significant part of their product assortment, while Temu does not sell food (yet). This is important because dollar stores are often located in areas with few grocery stores.

I was also surprised to learn that Temu and dollar stores cater to different demographics. We've already mentioned Dollar General's comments about households earning under \$35k a year making up the largest segment of its customers.

However, according to Rmwcommerce, “Temu’s sales among customers earning \$190k grew faster than any other segment, and customers earning \$55k or less grew the slowest. Forty percent of the company’s customers are making above \$130k per year.”

Lastly, while both companies sell items manufactured in China, Temu was launched by Pinduoduo, a major Chinese e-commerce platform. On the other hand, Dollar Tree and Dollar General are American companies.

So, can we say that Temu is killing dollar stores? I'd say it puts pressure on them in some categories and contributes to slower sales.

David D'Arezzo, a former executive at Dollar General, told CNN that "Dollar General made a mistake in trying to shift toward discretionary items." However, I think it would be wrong to place all the blame on the Chinese company. There are major differences between these businesses, such as product assortment, distribution strategies, and customer segments.

Dollar stores are facing other issues, as discussed earlier, which are often the source of customer complaints.

WHAT DOES DOLLAR STORES DIGITAL EXPERIENCE LOOK LIKE?

We've seen that Temu can take market share away from dollar stores, but they are still competitive due to their network of retail stores and ability to sell food and other consumable products. But are dollar stores competitive on the digital front?

The short answer is no. The customer experience on these websites is terrible. Dollar Tree only allows customers to buy full cases. Need a can opener? Too bad, you'll have to buy 48. Shipping isn't much faster than Temu either.



F/S 904 Ft Worth Ave, Dallas, TX 75208

[Check nearby stores](#) [Get Directions](#) [View Weekly Ad](#)

Today at this store: **Available**. Ship from Warehouse: **Available** (options below)

\$1.25 each (price, availability & selection may vary by location)

Quantity

48

\$60.00 Total

Why is there a minimum quantity?

Many items are shipped in cases that cannot be divided up. The bulk selling allows us to pass savings on to you.

Online Order Options:



FREE In-store Pickup:

Estimated Pickup @ this store: **10/10/24**



Ship To Home:

Usually arrives in 7 - 10 days

Dollartree.com

And that's when items are actually available, which isn't always the case. For example, we're a few weeks away from Halloween.

Want to order party supplies? Good luck finding something in stock on Dollar General's website.

Shop Halloween Party Supplies

26 results

Filters



\$1.00

Halloween Scented Bubble Sticks, 8 ct

⊗ Out of stock



\$1.00

Halloween DIY Foam Kit, Assorted

⊗ Out of stock



\$1.00

Glow in the Dark Halloween Necklace, Assorted - 1 ct

⊗ Out of stock



\$1.00

Glow in the Dark Halloween Pendant, Assorted

⊗ Out of stock

↑ Top

Dollargeneral.com

I understand that reliable inventory management systems can be expensive and difficult, especially with this business model. However, I think Buy Online Pickup In-Store (BOPIS) could work well for dollar stores. A pain point of in-store shopping is finding the right product on the shelves, and a problem with Temu is the delivery time.

Accurate inventory management on retailers' websites, with the option to pick up items in-store shortly after placing the order, could be convenient for millions of customers.

Unfortunately, I currently see little value for customers shopping on dollar stores' websites, but the upside is that there is a lot of potential for improvement in delivering value.

Conclusion

In conclusion, while Temu has added pressure to dollar stores, especially in the non-consumable categories, it is not the only reason behind their recent struggles.

The economic conditions (according to executives), negative in-store experiences, and competition from Walmart have in my opinion had a larger impact on dollar store stock prices. Temu's business model, though competitive in terms of pricing, addresses a different demographic and lacks the immediate availability that dollar stores provide, especially for food items.

However, one area where dollar stores lag is their ecommerce capabilities. The shopping experience on their website is terrible, with limited stock availability and sometimes only bulk purchasing options. Implementing strategies like BOPIS could greatly improve customer satisfaction and allow dollar stores to compete better in the digital space. Dollar stores still have potential, but they'll have to adapt to customers new expectations

<https://www.ft.com/content/ac297f38-ffeb-4761-a79d-ac1246209bfe>

[https://www.dailymail.co.uk/yourmoney/consumer/article-](https://www.dailymail.co.uk/yourmoney/consumer/article-13822375/shoppers-abandoning-dollar-stores-reasons-experts.html)

[13822375/shoppers-abandoning-dollar-stores-reasons-experts.html](https://www.dailymail.co.uk/yourmoney/consumer/article-13822375/shoppers-abandoning-dollar-stores-reasons-experts.html)

<https://nypost.com/2024/09/04/business/dollar-tree-stock-falls-20-after-cutting-forecasts> <https://qz.com/dollar-general-dollar-tree-new-strategy-walmart-target-1851643834>



OTHER NEWS FROM SEPTEMBER 2024

DOLLAR STORES AND OMNICHANNEL

Will Temu kill dollar stores? I don't think so. I believe dollar stores still have a lot to offer that Temu can't compete with (yet). Walmart could actually be the bigger threat.

But what do I know? I'm the eCommerce guy, not the retail guy. That being said, I looked at dollar store websites and started to think omnichannel could be huge for them.

I do not enjoy shopping in dollar stores; finding the right items feels like a hassle. If I want to go treasure hunting, I'd rather visit a thrift store.

Ordering online can be slow and expensive. I don't want to pay \$7+ in shipping for a cheap item or two, especially if I need them urgently.

That's why I think BOPIS would make a lot of sense for these businesses. These companies have huge networks of stores, and it would be easy for me to pick up my order on my way home from the office.

However, I don't know how realistic this is. Omnichannel requires top-notch inventory management systems, and it appears that these stores operate on low margins and high inventory turnover. If it were possible, I might actually start browsing their websites more frequently.

"Kohl's, Burlington, Five Below and Dollar General Pivot as Consumers Seek Deals" - PYMNTS.COM 8/28/24

<https://www.pymnts.com/earnings/2024/kohls-burlington-five-below-and-dollar-general-pivot-as-consumers-seek-deals/>

WALMART COMPETING WITH AMAZON IN THE FASHION CATEGORY

It didn't take long after moving to the US for me to hear the phrase "people of Walmart." At first, I was confused—who doesn't need to buy groceries? Now, I understand what it means and wonder if it might soon become a thing of the past. Walmart today feels very different from 2014 Walmart.

Their new private label brand, Bettergoods, seems to elevate their grocery offerings, and I've written about their impressive performance on the ecommerce side.

Will Walmart's image change enough that people will soon be proud to wear Walmart clothes? I don't think they'll compete with Tom Ford anytime soon, but I can see them making progress in the clothing category. Maybe not for the most high-end fashion, but certainly for well-designed, decent-quality basics.

On the ecommerce side, I can definitely see Walmart taking market share from Amazon in this category. Amazon's clothing section is a mess—it's hard to find what you're looking for. The search results are overloaded with sponsored ads for irrelevant items, product attributes can be misleading (like filtering for linen shirts and finding mostly polyester), and the images or sizing charts aren't always accurate.

Walmart could offer a smaller assortment with more control in exchange for a much better customer experience. Plus, since clothes are frequently returned, this could drive more traffic to their retail stores.

“Walmart Hopes In-Person Advantage Can Shrink Amazon's Fashion Lead”
PYMNTS - 9/13/24

<https://www.pymnts.com/news/retail/2024/walmart-hopes-in-person-advantage-can-shrink-amazons-fashion-lead/>



ETSY CUSTOMERS REALIZE SOME “CRAFT ITEMS” ARE ALSO SOLD ON TEMU

This article perfectly illustrates what is wrong with Etsy today. You think you find a great deal from a small local creator, only to find out the same item is sold on Temu at 10% of what you paid. Not the best way for Etsy to get customers to come back.

Once a great place to find handmade items from small talented creators, the marketplace lost its way sometimes around 2020, becoming more focused on growth than quality.

At its peak, the company opened its doors to mass-produced goods and cheap items from China. It created a confusing shopping experience and alienated its customer base.

Etsy is now implementing badges to indicate which items are "made, designed, handpicked, or sourced by" sellers. However, I fear this will only add to the confusion and allow sellers to exploit loopholes.

I think Etsy was never meant to become a giant or part of the S&P 500 (from which it is now being removed), and that's okay. I've made a few purchases and enjoyed the experience. However, the company cannot stay true to its original value proposition if it continues to welcome just any seller.

I believe that the fast expansion, allowing anyone to find loopholes to sell counterfeit handmade items, has damaged the brand. It will be a long and way before Etsy can provide a great shopping experience again, although some recent initiatives are a great first step.

""Your Etsy finds are from Temu": Woman says you could be getting 'tricked' if you shop on Etsy
" DAILYDOT - 9/17/24

<https://www.dailydot.com/news/etsy-temu/>



AMAZON'S PROJECT AMELIA

I've noticed a lot of my connections being optimistic about Amazon's new project to support sellers, Amelia. Unfortunately, I don't share the same sentiment.

After reading the announcement, I don't see much value in this new feature. The announcement highlights three areas where Amelia is supposed to help.

The first is knowledge-based questions, like "What are the top things I need to do to prepare for the holiday season?" Sounds great on paper, but the answers shown in the screenshots are pretty generic. "You can lower prices or set up PPC campaigns." Thanks, Amelia—never thought of that.

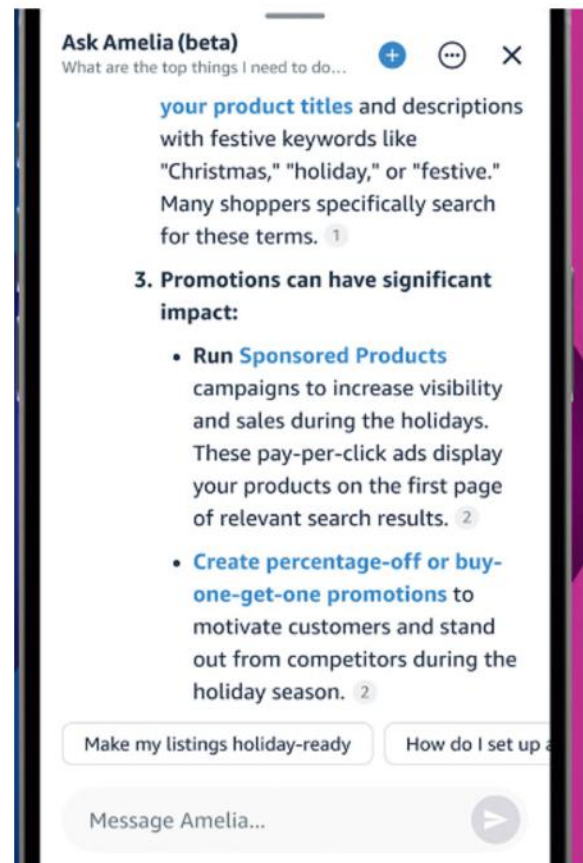
Next is status updates and metrics, which provide a quick overview of business metrics. It's a nice-to-have, but far from essential.

Lastly, there's actions and issue resolution. At first, I was excited—could this address some of seller support's inefficiencies, one of Amazon's biggest pain points for many sellers? Unfortunately, the example provided only shows Amelia helping create cases more efficiently, without actually resolving issues.

Which makes sense: Amazon's systems are too complex, and human input is still needed.

It could even be risky if bad actors gamed the system and used Amelia to take actions that go against Amazon's TOS. Still, I'd prefer seeing real improvements in seller support instead of nice but unnecessary features.

I'll be testing Amelia, and I hope to be pleasantly surprised. But based on the announcement, I'm not feeling very optimistic right now.



"Amazon launches a powerful new generative AI-based selling assistant codenamed Project Amelia" AboutAmazon.com 9/19/24

<https://www.aboutamazon.com/news/innovation-at-amazon/amazon-project-amelia>

EBAY UK REMOVES THEM FOR PRIVATE SELLERS

Why Would They Do That When Most Marketplaces Tend to Increase Fees?



One of the biggest complaints among Amazon, Walmart, or TikTok Shop sellers is the ever-increasing fees. But eBay UK has taken the opposite direction for private sellers (those who sell items occasionally for personal reasons, without the primary intention of making a profit or running a business). eBay UK has removed selling fees for private sellers across all categories, except for motors. After removing fees for fashion items earlier, eBay has now extended this policy.

They've also introduced new features like simplified listings, AI-generated descriptions, and tracked shipping with prepayment by buyers. eBay says they want to tap into an estimated £9 billion in resale potential from 294 million unused household items. I don't think eBay would do this only to contribute to sustainability (although it helps), so let's look at how removing fees for private sellers could impact both sellers and the company.

eBay UK Net Revenues and Growth



THE IMPACT ON PRIVATE AND PROFESSIONAL SELLERS

First, let's see what this means for sellers. The removal of fees will obviously be good news for existing private sellers, who will generate more revenue from the sales of their items. This will also encourage people with stuff to sell to try eBay, as some may have been deterred by losing part of their revenue to platform fees. The new features eBay has developed will also make it easier for these sellers to list their products and close sales. Overall, this is great news for those who occasionally have an item or two to sell, as it will simplify the process and allow them to make more money.

On the other hand, an influx of new private sellers who can sell at lower prices means more competition for existing professional sellers. These sellers typically have the advantage of mastering the platform, creating compelling content, and understanding eBay's policies.

Making selling easier for private sellers will lower the barrier to entry and level the playing field. However, due to the restrictions on private sellers, I don't think the volume of additional merchandise will be a major threat to existing sellers. eBay may also reduce the thresholds for what constitutes a private seller.

WHY WOULD EBAY DO THAT?

So why would eBay kill a revenue stream? After all, these fees are a major source of revenue in C2C ecommerce and on major marketplaces. New marketplaces typically start by offering lower fees to attract sellers and then gradually increase them as the platform matures. But eBay, as one of the oldest marketplaces, is taking a short-term hit by removing fees.

However, I see several upsides to this move. The main reason is that it could generate increased traffic. eBay already experimented with a similar strategy in Germany and saw a boost in traffic.

Even if much of the new traffic consists of private sellers who don't pay fees, some may enjoy the experience enough to become professional sellers, eventually generating more revenue for eBay. Let's also remember that eBay earns revenue from more than just selling fees. With increased traffic and listings (and a potentially more competitive marketplace), eBay could make up for this loss by selling more of its additional services, such as advertising and payment processing.

Finally, I see this move as a smart way for eBay to differentiate itself from Amazon and Walmart by putting a stronger focus on C2C and second-hand items. I believe both eBay and Etsy made the mistake during the pandemic of trying to imitate Amazon by turning into another "everything store." In my opinion, the sale of new (as the opposite of second-hand), mass-produced items from China diluted the value proposition of eBay and Etsy. Bringing in more private sellers can reinforce eBay's core value and deliver greater value to customers.

CONCLUSION

Marketplaces typically face two challenges: attracting third-party sellers and attracting customers. Removing fees for private sellers will help with the former by making it easier and more appealing for new sellers to start on eBay, with the possibility of converting them into professional sellers. It also helps with the latter: customers love good deals, and the second-hand market is booming. More used items for sale could attract more customers. Overall, despite the short-term loss of fee revenue, I believe eBay made the right decision, and I look forward to seeing how this plays out.

<https://www.ebayinc.com/stories/news/ebay-uk-announces-it-is-now-free-to-sell-across-its-categories>



OCTOBER 2024

ZOMBIES AND WITCHES NOW FAVOR
ONLINE SHOPPING

HOW SPIRIT HALLOWEEN'S ONLINE STRATEGY MEETS THEIR EXPECTATIONS

If you live close to a large city, you've probably seen all these Spirit Halloween stores popping up recently. It's impossible to miss them with their bright orange signs. I find it impressive that a company can generate enough revenue during the Halloween season to have the resources to open all of these temporary locations. But what's even more impressive is that, even when operating within such a short time frame, they place a heavy focus on the online experience.

Let's see how this company operates and review some key parts of their online strategy. Spirit Halloween recently added some interesting shipping options and seems to perform well online. Halloween is certainly an interesting time of year for businesses, and I thought it would be insightful to examine one of these extremely seasonal businesses that succeed online.

ABOUT SPIRIT HALLOWEEN AND CUSTOMERS SHOPPING TRENDS

Few people know that Spirit Halloween actually started as a women's clothing store in 1983. Its founder, Joseph Marver, realized the huge potential of Halloween, changed his store name to Spirit Halloween, and started selling masks, costumes, and other fun seasonal items.

Today, the chain operates with a unique model, opening retail locations for only a short period around Halloween. Buyers start purchasing inventory as early as February, and the company begins looking for retail locations in May.

This setup is a win-win for the company and for landlords: Spirit Halloween can find short-term leases (albeit at a premium price), and landlords gain cash flow until they find a longer-term tenant.

However, this model presents a paradox. When the economy is strong, customers have more purchasing power and are willing to spend more on Halloween supplies. But a strong economy also means that retail locations are harder to find, with fewer stores going out of business.

Conversely, a weaker economy makes it easier to find retail locations, but consumers tend to spend less on discretionary items.

Finally, the company's growth is remarkable: from 10 locations in San Francisco in 1993, Spirit Halloween now has 1,525 locations across the country, creating 50,000 seasonal jobs. The company has a strong retail presence but remains aware of new shopping trends. It is clear that customers increasingly favor online orders for their Halloween purchases, and Spirit Halloween has effectively responded to these new expectations. Let's see how.

Where Customers Buy Most of Their Halloween Candy/Decor



Source: Civicscience report 2024

SPIRIT HALLOWEEN'S NEW SHIPPING OPTIONS

If I were interested in Halloween, I'd probably start planning at the very last minute and be tempted to browse Amazon with its fast delivery options.

But this year, Spirit Halloween is stepping up their game. A major piece of news for this season is the development and implementation of two key partnerships in delivery.

The first partnership is with Roadie, a UPS company focused on last-mile delivery. “We have a ‘no zombie or witch left behind’ policy at Roadie,” said Marc Gorlin, Founder and CEO of Roadie.

With its network of over 200,000 drivers, this partnership allows Spirit Halloween to easily scale for peak season.

The second partnership is with Uber Eats/Postmates. Spirit Halloween isn’t the first non-food retailer to partner with Uber Eats—Sally Beauty has done it as well. Nonetheless, it makes a lot of sense for a business with consumers often needing last-minute supplies.

Beryl Sanders, director of U.S. grocery and retail partnerships at Uber, provided a relevant example: “As a working mom, I know how crucial that last-minute face paint or mask can be on the morning of the school parade or the hour before trick-or-treating starts, and I’m thrilled we’ll be able to meet that demand at Uber.” Another plus is that items will be priced the same as in-store.



“We have a ‘no zombie or witch left behind’ policy at Roadie,”

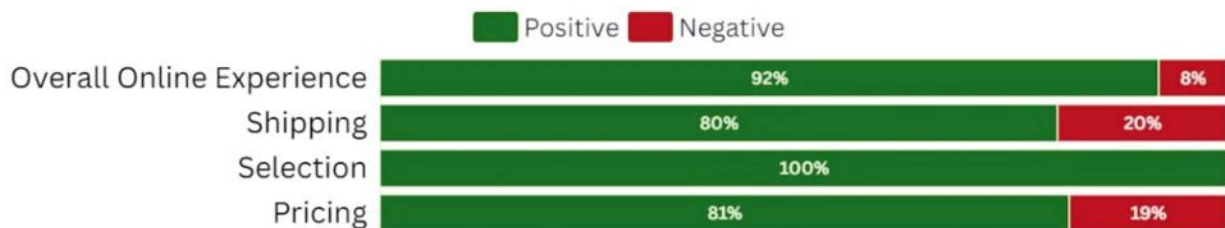
Marc Gorlin, Founder and CEO of Roadie

These partnerships make a lot of sense for a seasonal business like Spirit Halloween. In theory, it brings significant value to the consumer and appears to be a solid alternative to Amazon. Let’s see in practice how the Spirit Halloween online experience measures up.

WHAT IS THE ONLINE SHOPPING EXPERIENCE LIKE?

So, what’s it like to shop on Spirit Halloween’s website? I analyzed the last 1,000 Google reviews and identified the ones relevant to four categories: Selection, Pricing, Shipping/Delivery, and the overall online shopping experience.

Customers Opinion on Spirit Halloween Online Experience



Based on the 1000 latest Google reviews of Spirit Halloween as of 10/20/2024

Let's start with selection. I'm not certain exactly how many items are listed on the website, but the selection appears massive. I didn't find a single review complaining about a lack of items or inventory issues. The website is neatly organized, with several categories, and I found the navigation to be pleasant and easy.

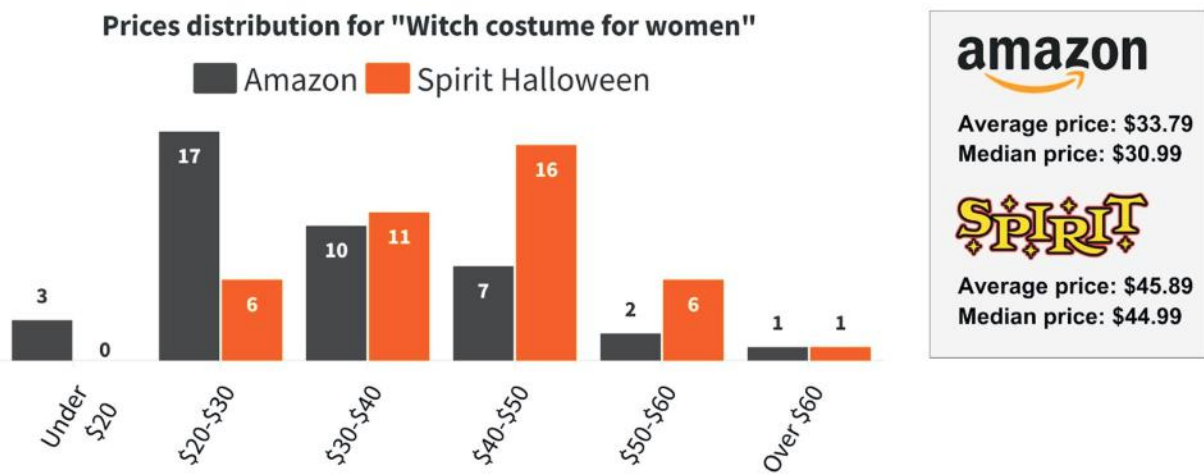
On the product pages, most information is easily accessible. However, I noticed that listing quality was somewhat inconsistent. Some products, such as animatronics, had a lot of information, with multiple high-quality pictures and videos.

On the other hand, some costumes only had one or two images, making it difficult to see how the costume would fit.

Although customers may not be as picky as when buying high-end fashion items, improving visuals or even allowing user-generated content in the reviews could improve the shopping experience and help limit returns.

Next, pricing. Customers were mostly happy with prices; 81% of the reviews mentioning prices described them as fair. So, I wanted to see how Spirit Halloween's prices compared to a major competitor: Amazon. I couldn't look at every product across all Halloween categories, so we'll have to rely on anecdotal data here.

I searched for "witch costume for women" on Amazon and compared the top 40 relevant search results (excluding items like candy) with the top 40 listings on Spirit Halloween's website.



Based on the top 40 search results, including sponsored listings but excluding irrelevant search items (such as candy, makeup..) as of 10/26/2024

On average, Amazon prices were \$12.10 lower for the same items. Similar items on Spirit Halloween were about 35% more expensive. This seems like a large difference, but it's important to note that we're not comparing the exact same items. In fact, Spirit Halloween's items appeared (in my opinion) to look better than those on Amazon. I believe Spirit Halloween aims for a higher standard of quality to target a different demographic, but I could be wrong: it's possible that Amazon products are just as good, but the third-party sellers didn't put much effort into their content.

Either way, in terms of pricing: (1) prices may be higher on Spirit Halloween and (2) despite the potential price difference, customers are generally happy with prices.

Finally, while one out of five customers expressed dissatisfaction with shipping and delivery, we should consider that many incidents could be the carriers' responsibility, not the brand's. Also, as with any reviews, unhappy customers are often more likely to complain than satisfied ones.

A major complaint was that some items arrived later than expected. The new partnerships Spirit Halloween formed this year may help with late deliveries, as customers can easily order items and receive them the same day, giving them enough time to find an alternative solution if needed.

Overall, over 90% of customers seem satisfied with their online shopping experience. As a textbook example of a seasonal business, Spirit Halloween has only a few weeks to generate most of its revenue.

With customers favoring online options more each year and tough competition from Amazon and Temu, the company has no choice but to deliver a flawless online shopping experience—and they appear to be doing very well in that regard.

CONCLUSION

Spirit Halloween's unique seasonal approach seems to be a success in a highly competitive environment, especially when it comes to delivering a solid online shopping experience. With strategic partnerships for fast, last-minute deliveries and a focus on offering a wide selection, Spirit Halloween has positioned itself as a reliable choice for Halloween enthusiasts.

Although some items may be priced higher than on Amazon, customers seem satisfied with the company's offerings. As the Halloween season attracts more online shoppers, Spirit Halloween's customer-focused strategy stays relevant and successfully meets customer expectations.

<https://civicscience.com/halloween-draws-reduced-spending-and-mixed-reactions-this-year/>

<https://www.sfgate.com/local/article/bay-area-store-spirit-halloween-chain-19821458.php>

<https://chainstoreage.com/these-five-retail-brands-account-13-spirit-halloween-locations>

<https://www.businesswire.com/news/home/20241009732492/en/It%E2%80%99s-Scary-Fast-Spirit-Halloween-Teams-Up-with-Roadie-for-Same-Day-Delivery-Launch>

OTHER NEWS FROM OCTOBER 2024

THE CHALLENGE OF ATTRACTING AND RETAINING SELLERS FOR AMAZON AND TEMU

Not every Amazon seller is the same, but many sellers are worn out. I think that's something the article missed.

In my opinion, Temu's challenge isn't just attracting Amazon sellers—it's attracting the right ones. Is there any value in adding the 1,000th seller offering private-labeled widgets sourced from Alibaba? I don't think so. However, bringing in strong brands that customers actually care about could be a game changer.

Amazon sellers typically have two big complaints: fees and seller support. If PDD has cash to burn (which seems to be the case), the fees issue could be solved quickly. Currently, referral fees on Temu are significantly lower than on Amazon. Seller support might be trickier, but I don't have personal experience selling on Temu (I'd love to hear stories from those who do).

Amazon will eventually focus more on seller retention. Of course, most sellers considering Temu will likely continue selling on Amazon. But seeing strong, exclusive brands open a Temu seller account could be bad news for Amazon.

The company will need to do more than just add gimmicky features such as (as mentioned in the article) "showing images to help users narrow down their search, the ability to add text prompts to uploaded images, and 'More Like This' recommendations." Walmart and Temu are moving fast, and are getting better by the days.

"Amazon and Temu Copy Each Other in Battle for Sellers"
PYMNTS.COM 10/6/24

<https://www.pymnts.com/news/ecommerce/2024/amazon-and-temu-copy-each-other-in-battle-for-sellers/>

NEW AI TOOLS TO CREATE AMAZON ADS

Authenticity will be the name of the game for brands in 2025.

Amazon just announced new AI tools for advertisers, and the videos showing off these features are pretty impressive.

But if everyone has access to these tools, will the content still feel special? Or will watching these videos feel like reading AI-generated LinkedIn comments?

Now, I'm not saying this is a bad feature. A listing with quality AI visuals is often better than one with low-quality images. This is especially convenient for smaller businesses that sell a lot of different SKUs but lack the resources to create unique content for each one.

In my opinion, though, this will only widen the gap between the minority of authentic, strong brands and the tons of commoditized products competing purely on price. I'd love to try out this type of content myself, and I'm curious to see how it'll impact the customer experience.

“Amazon Ads launches new AI tools for advertisers—here’s your first look at the beta” Aboutamazon.com

<https://www.aboutamazon.com/news/innovation-at-amazon/amazon-ads-generative-ai-video-generator-advertisers>



POSHMARKS BACKTRACKS ON NEW FEE STRUCTURE

We often talk about how competitive marketplaces are for sellers. But there's growing competition between marketplaces themselves.

While most businesses focus on attracting buyers, marketplaces need to attract both buyers and sellers to generate revenue through fees and additional services like advertising.

Poshmark tried to lower seller fees, which was likely welcomed by sellers. However, reducing their fee from 20% to 6% (plus a small flat fee) most likely impacted Poshmark's bottom line—they had to make up for the lost revenue.

Their idea to charge buyers a fee resulted in a significant drop in sales across the platform. Within three weeks, they went back to the original fee structure.

Buyers have little loyalty to a platform if they can find the same product and level of customer service at a lower price somewhere else.

With Amazon, Walmart, Temu, eBay, Etsy, and other marketplaces, retaining both buyers AND sellers is becoming a bigger challenge. Amazon has relied on its traffic and Buybox attribution algorithm (which ensures sellers offer the lowest prices across all channels) to stay competitive. However, this may not be enough in the future if other marketplaces become aggressive, or if regulators take action.

“Poshmark to Eliminate Fee on Buyers 3 Weeks After Implementation

” PYMNTS.COM 10/21/24

<https://www.pymnts.com/news/ecommerce/2024/poshmark-to-eliminate-fee-on-buyers-3-weeks-after-implementation/>



AMAZON DIRECT-FROM CHINA SURPRISING TERMS OF SERVICES

I wrote extensively about different pricing strategies, but I missed the one where companies roll a 20-sided die to price their products.

Even worse, the prices Amazon plans for their new "Amazon's Low-Cost Store," with third-party sellers shipping directly from China, seem to make no sense—everything is priced under \$20.

Sofas under \$20 and guitars under \$13? And even if you manage to sell \$19.99 sofas, another guideline reportedly states that "Items must not exceed 1 lb in weight or 14 x 8 x 5 inches in measurement."

It's clear Amazon wants to compete directly with Temu through this model, and I think it's smart to create a separate section rather than mixing this direct-from-China venture with their existing listings.

But if the reported information is accurate, the execution of this strategy and the communication with sellers is sub-par.

I'm also concerned about Amazon forcing sellers to remove all branding and list items as "generic." While it may not be a huge deal for this model, it sets a dangerous precedent: will Amazon eventually ask other third-party sellers to downplay or even eliminate their brands?

Now I am waiting to get more information on this new store, but I am a little pessimistic on its execution.

"Amazon Sets Rules for Its New Low-Cost Store"

Marketplace pulse 10/22/24
<https://www.marketplacepulse.com/articles/amazons-low-cost-store-requirements-and-fees>



ONLINE THRIFTING IN THE AGE OF AI

HOW TO PRESERVE THE TREASURE HUNT EXPERIENCE

My favorite thing about thrifting is the treasure hunt. You never know what you'll find or how good of a deal you'll get. Thrift stores and garage sales have always been my go-to, but the internet has brought us even more options. Platforms like eBay, Etsy, Craigslist, and Facebook Marketplace offer a million possibilities for finding secondhand items. Some are even industry-specific, like Vinted and ThredUp in the fashion industry.

Thrifting has always brought me joy and excitement, but some people worry that the fun of the treasure hunt might be coming to an end.

With new technologies, especially AI, everything is becoming a lot more "optimized". If algorithms can quickly find the hidden gems, what's left for people like us? Today, we'll see how technology has impacted online thrifting and the secondhand market, and how the experience has changed over the years.

HOW AI CHANGED THE GAME

Before even looking at online secondhand platforms, it's important to note how AI and technology have completely changed the way some people shop at thrift stores. For years, smartphones gave shoppers access to tons of information about brands. Fast forward to today, and tools like Google Lens allow users to take a picture of an item and instantly identify it. You no longer need extensive knowledge to find a hidden gem, your phone can quickly tell you what an item is and how much it's worth.

This accessibility has made it easier than ever to turn thrifting into a resale business. Unfortunately, this has been bad news for regular shoppers looking for personal finds and for thrifting pros who used to rely on their expertise. Online, this trend is even worse due to features like pricing algorithms, which help sellers find the optimal price points. On the buyer's side, AI has introduced personalized recommendations and improved search features, making it easier to find exactly what you're looking for. Technology also helps with inventory management, making it easier for retailers to categorize items and for customers to discover them.

WILL AI KILL THE THRIFTING EXPERIENCE?

We've already discussed how improvements in search algorithms have made finding items a lot easier. This means treasures are now sometimes spotted by buyers well before they're available to the general public. Additionally, tools that let sellers accurately assess the value of their items made prices more accurate. As a result, it's becoming less frequent to find valuable items priced low due to sellers' lack of knowledge.

Unfortunately, this also means fewer great deals for the occasional shopper and more "flippers" (people who buy items cheaply at thrift stores and resell them for profit). This change has made thrifting a less enjoyable experience for many casual shoppers. The professionalization and gentrification of thrifting often negatively impacts those who rely on it out of necessity, turning unique finds into commodities and reducing the excitement for traditional thrifters.

Another trend gaining traction in recent years is brands launching their own resale channels. A few months ago, I wrote about the French sporting goods brand Decathlon, but now over 100 brands have resale programs. According to ThredUp's resale report, "74% of retail executives who don't offer a resale program are either considering or planning to launch one in the future."



“74% of retail executives who don’t offer a resale program are either considering or planning to launch one in the future.”

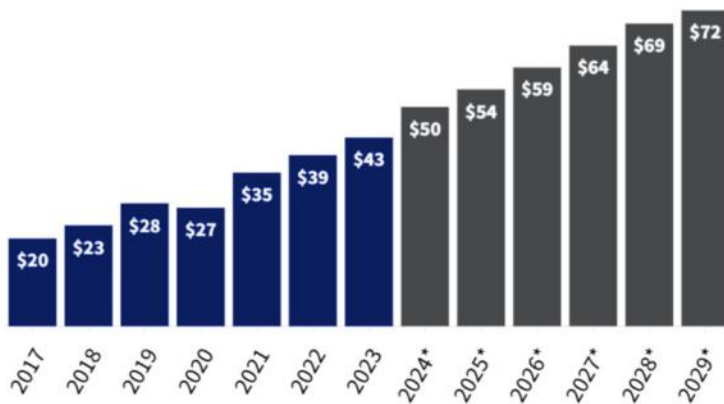
ThredUp’s resale report

Finally, a less direct but significant consequence of technological advancements is the rise of companies like Shein and Temu. These businesses use the latest technology and AI tools to optimize supply chains, allowing them to come up with thousands of new designs every day.

However, their products are often cheap, low-quality, and discarded or donated to thrift stores after only a few uses. I believe a lot of people visit these stores to find quality items at discounted prices, and now have to dig through piles of cheap polyester items from China before finding something interesting.

The Online Resale Market is Growing in GMV and # of Platforms

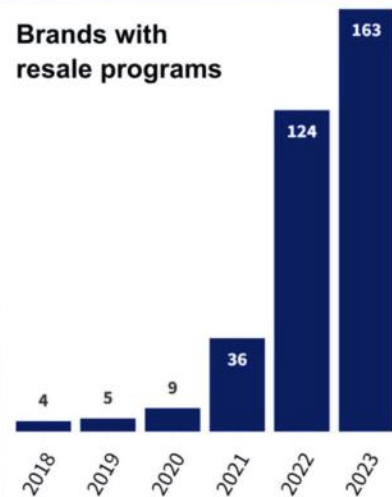
US Thrift and Resale Market in \$B



Source: Thredup Resale report

fmaingret.com

Brands with resale programs



WHAT CAN BE DONE TO PRESERVE THE EXPERIENCE?

Knowing that some recent developments have alienated part of the customer base, should platforms get rid of these features? I don't think so. While these changes have had some negative impacts, improving navigation and product discovery is a major win for many shoppers. That said, I believe there are steps platforms can take to improve the experience for everyone.

First, platforms need a balanced mix of personalized recommendations and strong search features. It's always nice to see an unexpected item show up on the homepage that we didn't know we needed, but having the ability to filter items based on specific criteria is equally important. Going too far in either direction would be a mistake. eBay, in my opinion, found a good balance with its advanced search tools making it easy to search through millions of items listed, and personalized app notifications or email recommendations. Of course, platforms should allow users to disable AI-driven personalization. Why not even introduce "mystery selections" of uncategorized items to mimic the excitement of sorting through bins of random stuff at thrift stores?

I wonder if it would be possible to use AI to assist in curating human-selected collections of secondhand items. While this is more practical for new products available in bulk, sellers could potentially pay a premium to feature their listings in human-curated selections if AI finds that the listings are suitable. Adding a human touch in this way could make the experience more engaging for some shoppers.

Improvements could also be made on the listing creation side. At garage sales, I enjoy hearing sellers share stories about their items. Sometimes it's just a sales pitch, but other times you hear fascinating histories, for example a book annotated by someone locally famous or a watch once owned by a World War II veteran. Bringing some of that storytelling to online platforms could add depth to the shopping experience.

Finally, while online thrifting is convenient, it will never fully replicate the magic of visiting a thrift store or garage sale. These physical spaces are still goldmines for unique finds, and even if we can't return to the thrifting experiences of 20 years ago, I still see a lot of value in them.

year and brands starting to build their own platform, I am positive (maybe a little optimistic) that we will eventually see some improvements that will make online thrifting less mechanical and more interesting.

CONCLUSION

Thriftig, whether online or in-store, has always been about the joy of discovery and the excitement of finding treasures. While AI and modern technology have made items easier to find and pricing more accurate, they also killed some of the spontaneity that we used to experience one or two decades ago.

Although we will never go back to the past, there is still room for progress in how resale platforms can offer a more exciting experience. With the second hand market getting larger by the year and brands starting to build their own platform, I am positive (maybe a little optimistic) that we will eventually see some improvements that will make online thrifting less mechanical and more interesting.



OTHER NEWS FROM NOVEMBER 2024

AMAZON-WALMART RIVALRY AND LOYALTY PROGRAMS

Interesting article on the Amazon-Walmart rivalry. I agree with the author that the two companies are becoming increasingly similar, and loyalty programs could make a difference.

While Amazon has a massive assortment of items, I don't think that's a huge advantage beyond a certain point. How many brands of garlic presses do we really need? As long as the top brands are easy to find and there are affordable options, the sheer size of Amazon's assortment doesn't feel like a massive advantage anymore.

The gap also seems to be closing when it comes to fulfillment. Amazon might offer next-day delivery more often, but Walmart has an edge with its extensive network of retail stores.

Their dominance in the grocery category drives traffic to these stores, creating a stronger and stronger omnichannel experience. Plus, as we've seen with Temu and Shein, not every customer prioritizes fast shipping if they can get a better deal elsewhere.

I think getting people to subscribe to Walmart+ will be a big challenge for the company. Many people already have an Amazon Prime and/or Costco membership. But then again, people subscribe to five different streaming services, so why would three shopping memberships be unrealistic?

"Amazon vs Walmart Holiday Battle May Come Down to Loyalty Programs" - PYMNTS 11/22/24

<https://www.pymnts.com/news/retail/2024/amazon-vs-walmart-who-will-win-the-holiday-shopping-war/>

AMAZON HAUL

Have you tried the new "Amazon Haul"? I have, and while there's definitely room for improvement, I can see some potential value in this feature for customers.

The user experience, in my opinion, is lacking at the moment (let's remember this is still a Beta version), and I hate that it's only accessible in the app. There are fewer search filters compared to the rest of Amazon, which might be a way to simplify listing creation but ends up making it harder for customers to find what they need.

Another problem is the relatively small selection, which feels much more limited compared to what's available on Temu. Again, this is a new feature, so we can expect more items to be added soon. Similarly, most items currently barely have any reviews, but this should come soon.

So why do I think some customers might like Amazon Haul? First, because it's Amazon, a company many customers trust for the value it provides and its great customer service. Some buyers may also prefer purchasing from "an American company" rather than a Chinese competitor, even though the items are sold by third-party sellers based in China.

Another interesting aspect is that many of these items are already sold on Amazon. The difference is that customers now have the choice to pay more for next-day delivery or save money by opting for much slower shipping. We all love fast shipping, but the option to save could be attractive to many shoppers.

Will this be enough to steal market share from Temu? As of now, I don't think so, but I'm curious to see what will happen. Amazon isn't new to the ecommerce game, and I believe they have the resources to make this feature a success.

"Amazon takes on Temu" - DailyMail 11/15/24

<https://www.dailymail.co.uk/sciencetech/article-14086549/amazon-temu-online-haul-low-prices.html>



WOULD INCREASING TARIFFS KILL SHEIN AND TEMU?

Should apparel brands prepare for the death of Temu and Shein if tariffs increase next year? Not so fast.

“Nobody really wins a price war,” as the saying goes. This is especially true for Shein and Temu, even with potential increased tariffs and the elimination of the de minimis rule. I don’t believe these changes alone will be enough to kill the two Chinese giants.

First, they may find ways to minimize the impact of new regulations—such as moving production to countries less affected by tariffs, like Bangladesh or Thailand.

And let’s not forget that millions of businesses worldwide will also be affected. Tons of American companies import their clothing from China, and they too would lose competitiveness if their tariffs and customs costs increased.

We may even see Shein change its strategy and start selling higher-end items. I often think of Uniqlo, the Japanese brand many people love for its well-made basics using decent materials at reasonable prices. Could Shein move away from polyester and start offering cotton or wool basics?

Finally, the article mentions the need to educate consumers about the human cost of buying from Shein and Temu, for example the allegations of forced labor. While I agree this is an important issue, let’s not forget that major US and European brands like Nike, Adidas, and even Patagonia have faced accusations of working with questionable suppliers. True or not, these claims weren’t enough to kill these companies. Sadly, I believe there will always be customers willing to accept shady business practices for a better deal.

So no, I don’t think the end of fast fashion is imminent. The best way for apparel brands to stay relevant isn’t to compete with Shein and Temu on price but to provide value in other ways.

“How Can Today’s Apparel Brands Compete with Shein and Temu?” - Yahoo Finance 11/22/24

https://finance.yahoo.com/news/today-apparel-brands-compete-shein-163000686.html?soc_src=social-sh&soc_trk=linkedin

DOES BLACK FRIDAY STILL FEEL SPECIAL ANYMORE?

Does Black Friday still feel special anymore? Not as much, according to customers.

We've been seeing more and more deals and sales popping up in recent years. I still can't get over the fact that some companies even call their sales "Black Friday in July." I get the idea of extending deals to get customers to shop early, but let's be real—these permanent promotions and flash sales are causing serious fatigue for customers.

For anyone on a tight budget, it can be really stressful to not know when you'll actually get the best price on something you need. And for brands, standing out in this environment is getting more and more difficult.

The article tells us that "59% of shoppers are not strongly swayed by deals when choosing merchants." I found that very interesting. Does it mean the economy is so great that no one needs to save money anymore? Or could it be that discounts just aren't meeting customer expectations this year?

The article mentions factors like convenience and loyalty. This may seem like great news for brands, showing that getting the sale isn't all about pricing. However, delivering things like convenience and loyalty are easier said than done, and I immediately thought of membership programs like Amazon Prime or Walmart Plus.

Early reports suggest that Black Friday 2025 may have been a success, but I think it's more important than ever for brands to take a closer look at their performance and see if their BFCM strategy makes sense in the long term.

"Shoppers Want a Good Deal; More Than Half Still Pay Full Price" - PYMNTS 11/28/24

<https://www.pymnts.com/news/retail/2024/shoppers-want-a-good-deal-more-than-half-still-pay-full-price/>



THE DIFFERENCE BETWEEN COUNTERFEITS AND DUPES AND HOW THESE PRODUCTS IMPACT BRANDS

If you've been following my content, you often hear me say building a strong brand is one of the most important things in today's business environment. And one of the signs you have a strong and successful brand is when you start seeing counterfeit products.

According to OECD data, the global trade in counterfeit goods in 2023 was \$1.023 trillion, or 3.3% of the total global trade. And despite efforts from brands and marketplace operators, these products are all over merchant websites, including some of the most popular.

But counterfeit items aren't the only type of intellectual property (IP) concerns brands have. We have seen the concept of "dupes" getting a lot of traction on social media recently. And the difference between counterfeits and dupes can be a little tricky to understand. Are dupes legal or is it a fancy word to designate counterfeits?

Understanding the difference is especially important for brands in the fashion or skincare industry, but I believe that dupes could expand to other industries as well. Let's try to clarify what the difference is, and how it impacts brands.

DIFFERENCES BETWEEN COUNTERFEITS AND DUPES

Some people use the terms “counterfeits” (or more familiarly “fake products”) and “dupes” interchangeably. This is a mistake: these terms represent two different concepts, with significant legal differences.

COUNTERFEITS

Counterfeit items are unauthorized replicas of genuine products, often designed to trick consumers into believing they are purchasing the real thing. Sometimes, customers buy them knowing these aren't real (Come on, you know this \$20 brand new Louis Vuitton purse you saw at the flea market isn't authentic). These items infringe on trademarks, copyrights, or patents held by the original brand. Sellers of counterfeits use the original brand reputation to make a profit, while rarely offering the same level of quality control. As you can expect, counterfeits are completely illegal.



“Dupes,” short for duplicates, are products that look like high-end branded items but do not attempt to pass off as the original. They can have similar style and function as the original product, but do not use the same trademark and brand names. There is no confusion for customers, as they understand that they are not buying the original product or brand.

As opposed to counterfeits, dupes are generally legal as long as they do not violate any patents or directly copy protected elements of the original product.

Let's look at two examples mentioned in an article on thelawlegal.co.uk. The first one is the chain of supermarket Aldi selling £6.99 dupes of Charlotte Tilbury's famous Filmstar Bronze & Glow palette. According to The Mirror, a High Court judge ruled that Charlotte Tilbury's copyrighted packaging had been copied, which includes a specific pattern on the makeup and the diamond impression on the outer tin.

On the other hand, the Dior Saddle Bag was successfully duped. The luxury brand was unable to register its Saddle Bag as a 3D mark in 2021, as it was ruled that it lacked distinctiveness.

**Filmstar Bronze & Glow Palette and Aldi's Dupe (left)
Dior Saddle Bag (Right)**



Images: Hellomagazine.com, Dior.com

To summarize the differences between counterfeits and dupes:

	Counterfeits	Dupes
Trademark Infringement	Identical or nearly identical logos, brand names, and packaging as the original products	Dupes use similar designs, but do not use the same brand names or logos as the original product.
Customer Perception	Sellers of counterfeit products sometimes scam customers, tricking them into believing the product is genuine.	Dupes aren't designed to scam or trick consumers, as they know they are not buying the original item.
Legal Considerations	Counterfeits are illegal, plain and simple	Dupes operate in a grey area. They are generally legal, unless they violate a patent or protected element of the original item.

COUNTERFEITS AND DUPES IN THE ECOMMERCE SPACE

While ecommerce makes it easy and convenient to shop for millions of products, it also facilitates the sale of dupes and the more problematic counterfeits.

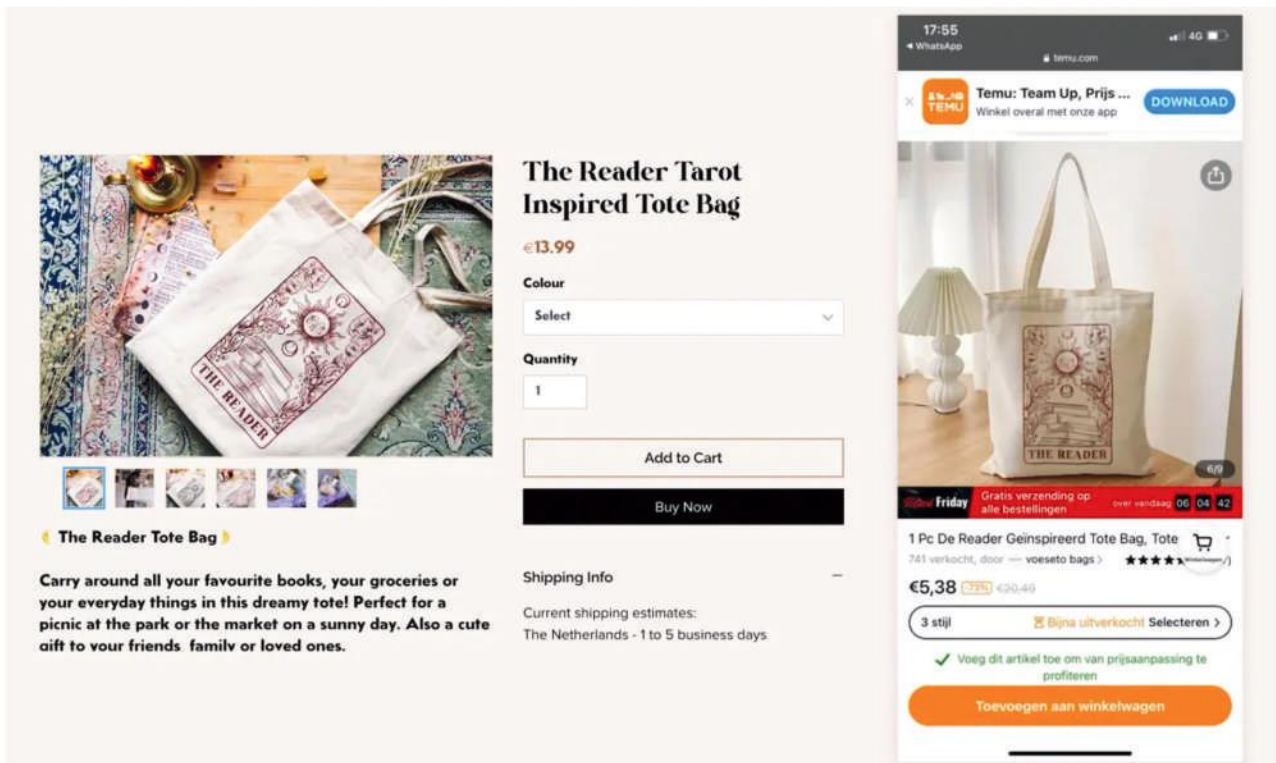
Let's talk about counterfeits first. Some of the most impacted industries by counterfeits are fashion, luxury items, jewelry, and cosmetics. These products are all over the internet, including on some popular marketplaces like Amazon, eBay, or Etsy.

A representative of Red Points, the largest IP service provider, discussed counterfeits issues in an article on Glossy.co.

They stated that "the number of infringement violations for the beauty, personal care, and beauty device categories have increased in the last few years with a compound annual growth rate of 62% between 2018 and 2023, including a major jump over the past 24 months."

Sellers of counterfeits will often use fake or stolen images from genuine products and abuse fake reviews to make them look legitimate.

In addition to large brands like Dior, there has been a lot of uproar from small businesses and independent creators claiming Temu/Shein allegedly stole their designs. This is obviously a huge issue, as some reported a drastic slowdown of their sales following the items being listed on Temu.



Left, a screenshot from Leora Aileen's website, a small business owner. Right, the same design on Temu.

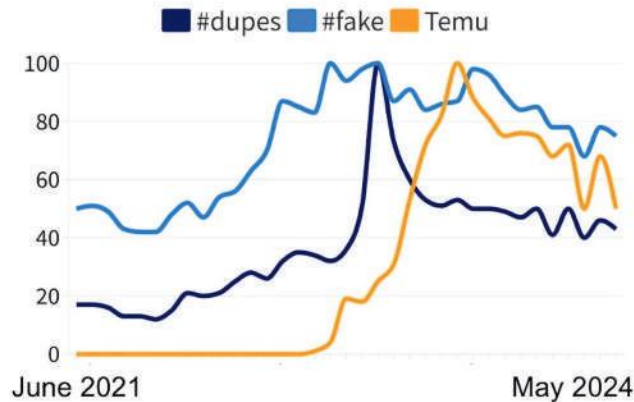
Source : Time.com

Counterfeits are always discussed on social media, especially among younger customers.

Dupes are also a popular theme, with a ton of new content every day from people discussing their latest findings.

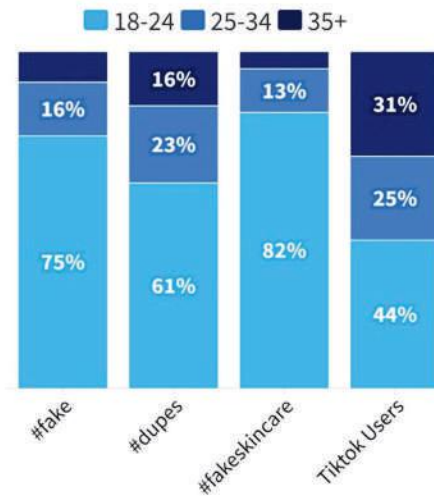
Dupes are Increasingly Popular - Especially With Younger Customers

A Popularity of TikTok hashtags vs Temu Popularity (Google Trends)



Sources: Google Trends, TikTok Creative Center, Statista
fmaingret.com

B Popularity of three hashtags compared with TikTok user base by age



Let's look at the three types of products sold and discussed online and how they impact the original brands.

1. COUNTERFEITS WHEN THE CUSTOMER BELIEVES THEY ARE BUYING A LEGITIMATE PRODUCT

This type causes the most damage to brands and can become a customer service nightmare, impacting the brand image. It also obviously takes revenue away from the brands, as the customers were likely to buy from them. This is especially bad in some industries like skincare or cosmetics, as these products can be unsafe to use if they don't meet certain quality standards.

Scammers will steal product images from the original brand and set a price high enough that customers believe they are getting an authentic item. When the item is listed on marketplaces, it is also an issue for the marketplace operators. Finding these scammers and removing their listings takes a lot of resources, and this type of offer is more difficult to spot than the other two listed below.

1B. COUNTERFEITS WHEN THE CUSTOMER WILLINGLY KNOWS THAT THEY ARE PURCHASING A COUNTERFEIT PRODUCT

While still damaging the brand image, in this case, customers are less likely to complain. Most of them know they are getting a counterfeit product because they are paying a very low price, and it is often obvious the product quality or features are different.

Customers buying these products are also less likely to buy from the original brand at much higher prices. It takes some work to take down these online offers, but fortunately, they are easier to spot.

2 – DUPES

Dupes are not counterfeit items and are generally legal to sell. These products are likely to take some market share away from the brands they imitate, at least in the short term.

Dupes typically do not have the same brand image or distribution network as the original brand. However, because these are so often discussed on TikTok, dupes can go viral and see their sales spike in a short amount of time.

Unless they think they can sue based on IP violations and win (see the example above of the Filmstar Bronze & Glow palette), brands need to see dupes as new competitors.

WHAT CAN BRANDS DO TO PROTECT THEMSELVES?

1 – AGAINST COUNTERFEITS

Invest in IP Protection: Brands should register their trademarks, patents, and copyrights to establish legal protections for their products and designs. This also includes protection within marketplaces, such as registering products with Amazon's brand registry.

Use Technology: Brands can use technologies like digital watermarking, serial numbers, and RFID tags to track and authenticate genuine products across the supply chain. These technologies make it easier to track products and authenticate counterfeits.

Proactive Customer Engagement: Brands can be proactive in how they deal with customers buying counterfeits. For example, the brand Laneige reported routinely ordering counterfeit products to understand what consumers are receiving, so they can be prepared to answer complaints and concerns. The same brand's parent company, Amorepacific, designed a website for consumers to report issues (AmorepacificCounterfeitReport.com), hoping that it will help in fighting IP violations.

Legal Action: In some cases, brands need to take legal action against counterfeiters, such as civil litigation, cease-and-desist letters, and takedown notices.

2 – AGAINST DUPES

Monitor the Market: Brands must constantly monitor the emergence of dupes and similar products in the market. In some cases, brands can report trademark or patent violations if the dupe infringes on protected elements.

Strong Brand Identity: When dealing with dupes, having a strong brand identity and effectively communicating the unique value of their product is key. If the original products have stronger features than dupes, customers should be educated on what quality standards set the brand apart from competitors.

Innovation: The original brands often have strong expertise in their industry and can continuously innovate. The large amount of social media content on dupes can help brands understand customer behavior and expectations better and help them adapt their offer.

CONCLUSION

Counterfeits have always been an issue for brands, and ecommerce makes it easier for scammers to offer their fake items online. It takes a lot of work for brands to fight counterfeits.

On the other hand, dupes are often legal and have gained a lot of popularity recently thanks to social media. These competitors are another threat for brands, requiring extra resources as they are sometimes in a gray area and can violate brands' intellectual property. It is important for brands to be proactive and constantly monitor customer feedback, or these two types of products can take away market share and/or damage the brand image.

<https://www.glossy.co/beauty/how-laneige-is-taking-on-temu-counterfeiters>

<https://www.globaleyex.net/en/dupe-products-vs-your-ip-rights>

<https://thelawlegal.co.uk/articles/f/dupes-counterfeits-and-the-ip-implications>

<https://www.hellomagazine.com/healthandbeauty/makeup/2019081976655/charlotte-tilbury-legal-battle-aldi-product-dupe>



— DECEMBER 2024

AMAZON'S 3P SELLERS FACE FBA BOTTLENECKS BEFORE BLACK FRIDAY

WILL 2025 BE ANY DIFFERENT?



Benjamin Franklin may have said, "In this world, nothing is certain except death, taxes, and supply chain nightmares before the holidays." And I'd agree with him. To be fair, the marketplace has become so competitive and complex that large variations in volumes are bound to create some troubles. However, it seems like this year has been especially challenging for those selling through Amazon FBA.

Should we blame the port strike earlier this year, larger volumes of inventory being shipped, or other factors? In today's article, I'd like to go over what happened with Amazon and see how the company is dealing with it. We'll then look at how sellers were impacted, but more importantly, why fixing these issues is critical for the ecommerce titan.

AMAZON IS EXPERIENCING BOTTLENECKS DURING BFCM

Like every year, the holidays are a huge opportunity for sellers to generate revenue—not only because of BFCM or other sales events but also because of Christmas. This is especially true for those with seasonal businesses, such as holiday cards or toys. And as expected, sellers using FBA will want to ensure their product does not run out of stock during this period. This creates a lot more traffic across the supply chain and causes issues every year.

This time, some sources reported longer receiving times at some of Amazon's West Coast inbound locations. According to an MSN article, "These inbound facilities have likely experienced backlog due to an onslaught of cargo flowing in throughout major West Coast ports in summer 2024 as more retailers like Amazon pulled goods forward ahead of the Oct. 1 East and Gulf Coast port strike." As a result, Amazon lowered the inbound placement fees for shipments to the East by 5 cents per unit to encourage more sellers to ship their inventory away from the clogged western fulfillment centers.

However, I have seen several reports of major delays in the central and eastern parts of the country as well. Outside of the US, there are incidents in other countries where FBA is a thing.

For example, in Germany, Amazon has stopped accepting deliveries from DHL for now. As a result, DHL is sending affected shipments back to sellers.

Amazon took some preemptive measures and warned sellers well in advance to send their inventory in August and September to be ready for the holiday season. So should we blame sellers who saw their product go out of stock during this critical time of year?

THE IMPACT ON THIRD-PARTY SELLERS

It is obvious why any shortage would negatively impact sellers. But planning for these events is also very costly, especially based on Amazon's terms and guidelines. Sending inventory in August, as recommended by Amazon, involves placing large orders of inventory well before the holiday season, impacting businesses' cash flow.

Once sellers have received and sent inventory to Amazon, they need to ensure their storage limits allow them to stock enough inventory for the season. Even if that is an option, storage costs are a significant expense, especially with Amazon increasing fees. Even with Amazon reducing inbound placement fees for shipments to the East by 5 cents per unit, many sellers feel that is not enough—especially knowing that the situation in the eastern region isn't great either.

Overstocking Too Early For BFCM Can Be Costly For Brands

Storage costs per unit between August and November 2024



Based on Amazon's recommendation to start shipping inventory in August. Toy : 6 x 6 x 6 inches 0.4lbs - Monitor : 28 x 18 x 4 inches 14 lbs - Pair of shoes : 14 x 8 x 6 inches 3 lbs

fmaingret.com

In the end, we are stuck with sellers choosing to either miss out on sales by running out of stock or spending extra to try to have their product in stock, sometimes without guarantee. This is causing a lot of frustration. I can only imagine what it's like to be a seller in Germany and have DHL return an inbound shipment. But should we expect Amazon to make these inbound issues a priority?

IS THIS ISSUE A PRIORITY FOR AMAZON TO FIX?

The period around Black Friday/Cyber Monday and Christmas is the Super Bowl of ecommerce, and a lot of the sales happen on Amazon. You would think Amazon would be incentivized to increase their capacity and supply chain capabilities for this period.

They are proactive in their communications to sellers, giving them guidelines and discounts on inbound fees. On the other hand, increasing capabilities for just a few weeks a year is a significant investment for Amazon. Would the return on investment be sufficient to justify such a massive project?

Let's remember that Amazon's goal is to have products to sell to their customers. I like to divide their offerings into two categories: strong name brands that customers care about (Apple, Adidas...) and commoditized/semi-commoditized products that customers don't care about branding ("Oh, I bought this off Amazon.").

The first group of products is often managed through 1P, using different logistics processes. Brands have less to worry about, as Amazon orders directly from them. For the second group of products, the items are so similar they are almost interchangeable. If product ABC at \$9.99 isn't available due to supply chain issues, there is often a very good chance a very similar product XYZ will be available at \$10.49. And if customers don't care which one they buy, there is little difference for Amazon: they have made the sale and collected the fees.

I see one thing that would incentivize Amazon to do better: seller retention. The ecommerce world keeps becoming more competitive—not only with Walmart but also Shein, Temu, and TikTok trying to attract a wider variety of brands, as well as smaller marketplaces trying to gain an edge. If Amazon can't give their third-party sellers a good reason to stay, they may leave and help the growth of other channels. As of today, Amazon is still the king, but things can change fast in ecommerce.

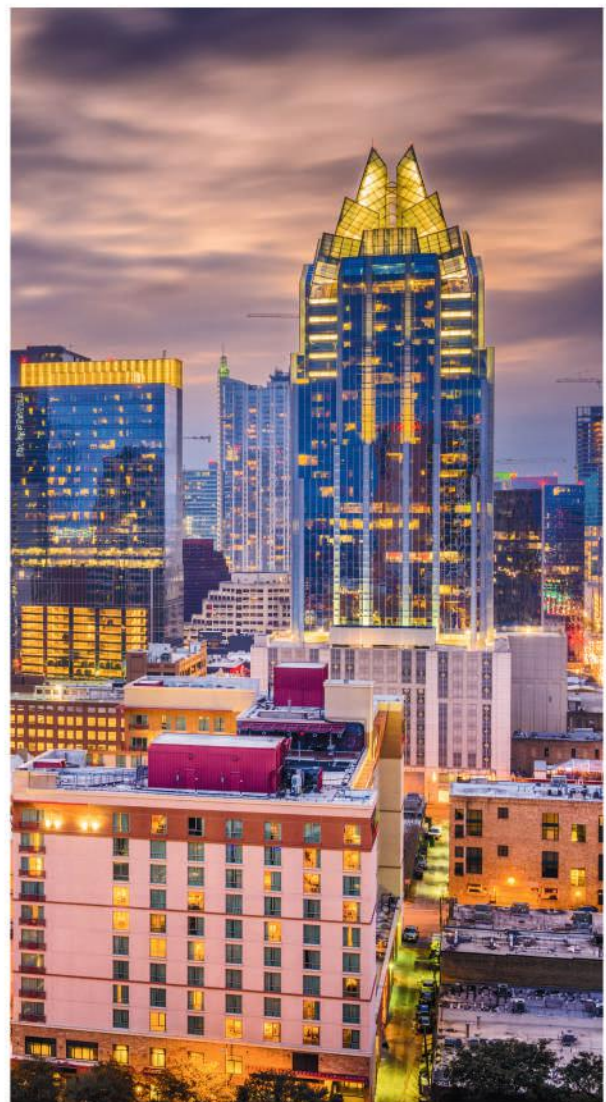
CONCLUSION

Amazon's Black Friday and Cyber Monday bottlenecks truly are a challenge for third-party sellers. While Amazon took steps like offering discounts and advising sellers to send inventory early, third-party sellers were still heavily impacted. These issues force sellers to either invest to stay stocked or miss out on critical sales opportunities, creating frustration.

It is true that customers—Amazon's priority—are not as impacted while doing Black Friday shopping. However, as ecommerce becomes more competitive with platforms like Walmart, TikTok, or Temu, Amazon must prioritize improving its logistics if it wants to retain third-party sellers.

<https://ecommercenews.eu/amazon-experiencing-bottlenecks-in-logistics/>

<https://www.msn.com/en-us/money/companies/amazon-says-high-demand-is-clogging-west-coast-fulfillment-centers>



OTHER NEWS FROM DECEMBER 2024

HOW WILL LULULEMON DEAL WITH COMPETITIVE PRESSURE IN THE ATHLEISURE INDUSTRY?

I think few people would be surprised to learn that Lululemon's sales have stopped increasing in the US. How long can the company keep growing with their current pricing strategy?

People willing to pay top dollar for the brand are already loyal customers, while many others simply can't afford the price tags.

What about those who can afford it but choose not to? Of course, athleisure is a competitive industry, and I understand that Nike or Adidas want their share. However, I believe social media, and especially TikTok, is a big reason why Lululemon's sales are flat in the US.

A quick search on TikTok gives you thousands of reviews of Lululemon "dupes," with the purchasing journey being easier than ever.

When customers used to distrust "fake stuff from China," social media users sharing product testimonials are changing the game.

Let's remember that dupes are not the same as counterfeits. Dupes operate in a grey area and are generally legal, unless they violate a patent or protected element of the original item.

Of course, there are inauthentic influencers pushing low-quality products, but overall, I wouldn't be surprised if we start seeing more and more quality dupes that effectively compete with local brands.

"Lululemon faces challenges in domestic markets despite global success" - PYMNTS 12/06/24

<https://www.pymnts.com/news/retail/2024/lululemon-faces-challenges-in-domestic-market-despite-global-success/>

NO NEW AMAZON FEE IN 2025 - BUT 3P SELLERS MAY GET LESS MONEY

Having Amazon lose your inventory is frustrating, but don't worry: starting in March 2025, the company plans to make sure you're reimbursed accurately for your products. They've announced that they will "help provide you greater transparency and more predictability in how reimbursements are calculated for items that are lost or damaged before a customer order." Sounds great, doesn't it?

Unfortunately, I see it as bad news for third-party sellers. Let's look at the next part of the announcement:

"To help provide you greater control and accuracy, you can choose how we determine the manufacturing cost for your products:

We'll provide a manufacturing cost estimate for you. This estimate is based on a comprehensive evaluation of comparable products sold by Amazon, by other sellers, and through wholesale channels.

You can provide your manufacturing costs directly. If you don't provide your own costs, we'll automatically apply our estimate, which you can change when you're ready."

Providing Amazon with your COGS (Cost of Goods Sold) to get the "correct" amount reimbursed might seem fair. But what about the additional costs involved—like shipping from your manufacturer to Amazon, duties, customs, inspections, pick-and-pack fees, and more?

Well, Amazon has clarified that "manufacturing cost means your cost to source a product from a manufacturer, wholesaler, reseller, or produce the item if you are the manufacturer. It excludes costs such as shipping, handling, customs duties, or other costs." So you'd be losing money on lost inventory.

Beyond that, sending your COGS, potentially with invoices, gives Amazon deeper insights into your profitability, which could help them figure out how much they can squeeze from third-party sellers before driving them out of business. Although Amazon has stopped expanding its private label range, this policy still gives them very valuable market data.

Now, you might think the other option, using Amazon's estimates, is more reasonable. But there's no guarantee Amazon won't lowball sellers. If Chinese manufacturers selling directly on Amazon report their low manufacturing costs for similar products, Amazon could undervalue your COGS, especially if your product is premium or you work with a middleman.

In the end, while Amazon has said it won't raise fees in 2025, this new plan could help them cut costs significantly. And for third-party sellers, lost inventory may become an even bigger headache than it already is.

ECOMMERCE NEWS 2024



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That Reshaped Online Retail in 2024



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