

# Vendor Central or Seller Central? - April 22, 2020

By Chris Moe and Jonathan Willbanks

Vendor Central vs. Seller Central is an evergreen question we get on Amazon. It's a complex question because not only does the right answer vary by brand, but the two platforms are constantly changing.

We think the only right answer is to run the numbers and make the call based upon your margins and strategic priorities. Anyone who says one channel or the other is much better simply isn't right: there are thousands of large and successful brands on both channels. Below, we've outlined the major attributes and differences between the two channels for Vendor Central Fulfillment and Seller Central Fulfillment by Amazon (FBA).

At the end of this paper, we've illustrated a few different side-by-side margin waterfalls of the two channels to illustrate some common cases when brands might go one way or the other.

## Definitions:

### VENDOR CENTRAL

- Amazon's 'first party', or 'wholesale' channel. You set an invoice cost or cost price, and Amazon orders bulk Purchase Orders (POs), typically stocking to 8-10 weeks of inventory.
- Amazon pays for the product up front and owns it within their warehouses.
- **How Amazon makes money:** Retail markup and program terms (e.g., marketing coop).

### ADVANTAGES

- **Working capital** – being paid upfront for 2+ months of inventory. No need to wait for the sale to occur. This can be meaningful for larger brands
- Limited sales tax compliance requirements, as well as customer support for the brand, due to Amazon owning the inventory and sale
- Low cost **dropship rates**. Amazon is generally cheaper than standard FedEx/UPS rates

### SELLER CENTRAL

- Amazon's 'third party' (3P) or 'marketplace' channel. You list your products on Amazon, set the price, send in product, and begin selling.
- Brands ship product into FBA warehouses where Amazon stores the product on consignment. Brands are paid upon sale of the product on 14-day terms.
- **How Amazon makes money:** Fixed referral fee (8-15% for most CPG), plus FBA fulfillment fees.

### ADVANTAGES

- **Dynamic pricing** – brands can change pricing dynamically to take additional margin and test elasticities
  - **Note:** both channels have price matching and control challenges
- **Inventory management** and inventory control. Can be useful for new launches, seasonal, or short dated product

Ultimately, **brands should pick their channel based upon margin**. The margin structure of the channels are quite different, and the channel with the better margin picture depends upon product type.

A margin side-by-side of the two channels usually reveals a clear leader. In the absence of a clear leader, the advantages above should be considered.

You might be thinking our list above is incomplete. Amazon has made significant changes in the last year to close the gap between the two platforms, and much "conventional wisdom" of years past is no longer valid.

## Cartograph Insights

We help CPG brands build sustainable Amazon businesses

## Common misconceptions – virtually identical features of both platforms as of April 2020

- **Analytics and reporting.** Biggest one – Seller Central used to be preferred for having more unit-level traffic and conversion data. However, Brand Analytics (formerly ARA Premium) is now free to all Vendor Central brands, so the gap in data availability has been closed significantly. While ARA Premium/Brand Analytics does not quite offer unit-level traffic and conversion, it offers unique data on glance view, glance view conversion, and ASIN-level hourly performance. These metrics can be very powerful for advertising optimization.
- **Controlling price.** A well set up Vendor catalog and thoughtful omnichannel pricing strategy with things like MAP pricing means price control is entirely doable on both channels.
  - **Note:** regardless of channel, if your products are for sale on other eComm platforms (e.g. Walmart or Thrive) for cheaper, you'll have issues.
- **Advertising and promotional options.** There are only a couple very minor differences between the platforms. With all ads migrating to Amazon Advertising this year (formerly AMS), these differences should go away entirely.
- **Amazon direct support.** Both platforms have support (or lack thereof) depending upon size of brand and category, so experiences vary widely. There are premium and preferred support options for both channels
- **Content precedence.** Formerly a VC edge, this can be controlled from Brand Registry which is available to all brands
- **Buy box preference.** This is purely determined by performance of the offer – which offer shoppers click and convert on more.

## Quick reference: common CPG product types/descriptions that favor either VC or SC

### VENDOR CENTRAL – better margins

- Low ASP items <\$10, especially if >1lb
- Low ASP items <\$20 and >2lbs
- Heavy products (e.g., RTD beverages)
- Larger dimensional products (e.g., salty snacks)
- Large products (>18"x14"x8" dims)
- Products that require additional prep (i.e., bubble wrap)
- Perishables, meltables, refrigerated products that require dropship

### SELLER CENTRAL – better margins:

- \$20+ small to medium sized items
- Most items under 12oz and >\$10
- Large dimensional products custom kitted to <12oz gross weight (i.e., small package salty snacks)
- Shorter dated product (<6 months)
- Seasonal or holiday products
- Limited run products
- Variably priced products

The SC vs. VC debate is by no means settled, and one that we expect to continue to evolve. Amazon has suggested that long term they plan on merging the two channels, and their efforts in aligning the two platforms support that intention.

On the following page, we've laid out a few of the above scenarios where VC or SC is the margin advantaged channel. Note that in order to set the invoice cost on VC, we assume Amazon's cost to fulfill the unit (generally, cheaper than FBA fee).

Note that almost all perishable products are better fulfilled on Amazon's Vendor Central platform, which is also home to Amazon Fresh and Prime Now.

## Example margin waterfalls comparing Vendor Central and Seller Central

\$10 food item, 1-2lbs gross weight			
SELLER CENTRAL - FBA			
Category	Value	%	Notes
Current Retail Price	\$9.99		
Amazon selling fee	\$0.80	8%	Referral fee (8% for <\$15 Grocery items)
<b>Gross Amazon invoice "cost"</b>	<b>\$9.19</b>		
COGS	\$2.75		
<b>Product Margin</b>	<b>\$6.44</b>	<b>70.1%</b>	
FBA fulfillment fee	\$4.90	49%	Amazon ships product to the customer
FBA labeling fee	\$0.30		Fee to apply Amazon required label
Returns and refunds	\$0.09	1.5%	Safety accrual for returns or refunds
PPC & Promos	\$0.63	10.0%	Optional spend: Amazon Advertising
SNS Funding (Est.)	\$0.13	2.0%	Optional: Subscribe and Save program
Shipment into AMZ Warehouse	\$0.20	2.2%	Freight to Amazon
3PL Costs	\$0.25	2.7%	3PL to prep shipment to Amazon
<b>% margin on Retail</b>	<b>(\$0.05)</b>	<b>-0.5%</b>	

\$10 food item, 1-2lbs gross weight				
VENDOR CENTRAL				
	Category	Value	%	Notes
Pricing and COGS	Current Retail Price	\$9.99		
	Amazon Invoice Cost (Each)	\$6.25	100.0%	Our price sold to Amazon
	COGS	\$2.75		
	<b>Gross Margin (ex. Trade)</b>	<b>\$3.50</b>	<b>56.0%</b>	Invoice cost less COGS
Up Front Trade Spend	Co-Op	\$0.94	15.0%	Amazon marketing coop
	Damage	\$0.13	2.0%	Damage
	Freight	\$0.09	1.5%	Amazon freight allowance
Additional Spend	Chargebacks (Ops)	\$0.09	1.5%	
	<b>Total Trade Spend</b>	<b>\$1.25</b>	<b>20.0%</b>	
Optional trade spend	PPC & Promos	\$0.63	10.0%	Advertising on Amazon
	SNS Funding (Est.)	\$0.13	2.0%	Subscribe and Save costs
Non-Amazon	3PL Costs	\$0.25		Prep to get item to Amazon
<b>% margin on Retail</b>		<b>\$1.25</b>	<b>12.5%</b>	

\$15 food item, <12oz gross weight			
SELLER CENTRAL - FBA			
Category	Value	%	Notes
Current Retail Price	\$14.99		
Amazon selling fee	\$1.20	8%	Referral fee (8% for <\$15 Grocery items)
<b>Gross Amazon invoice "cost"</b>	<b>\$13.79</b>		
COGS	\$4.00		
<b>Product Margin</b>	<b>\$9.79</b>	<b>71.0%</b>	
FBA fulfillment fee	\$3.48	23%	Amazon ships product to the customer
FBA labeling fee	\$0.30		Fee to apply Amazon required label
Returns and refunds	\$0.17	1.5%	Safety accrual for returns or refunds
PPC & Promos	\$1.10	10.0%	Optional spend: Amazon Advertising
SNS Funding (Est.)	\$0.22	2.0%	Optional: Subscribe and Save program
Shipment into AMZ Warehouse	\$0.20	1.5%	Freight to Amazon
3PL Costs	\$0.25	1.8%	3PL to prep shipment to Amazon
<b>% margin on Retail</b>	<b>\$4.08</b>	<b>27.2%</b>	

\$15 food item, <12oz gross weight				
VENDOR CENTRAL				
	Category	Value	%	Notes
Pricing and COGS	Current Retail Price	\$14.99		
	Amazon Invoice Cost (Each)	\$11.00	100.0%	Our price sold to Amazon
	COGS	\$4.00		
	<b>Gross Margin (ex. Trade)</b>	<b>\$7.00</b>	<b>63.6%</b>	Invoice cost less COGS
Up Front Trade Spend	Co-Op	\$1.65	15.0%	Amazon marketing coop
	Damage	\$0.22	2.0%	Damage
	Freight	\$0.17	1.5%	Amazon freight allowance
Additional Spend	Chargebacks (Ops)	\$0.17	1.5%	
	<b>Total Trade Spend</b>	<b>\$2.20</b>	<b>20.0%</b>	
Optional trade spend	PPC & Promos	\$1.10	10.0%	Advertising on Amazon
	SNS Funding (Est.)	\$0.22	2.0%	Subscribe and Save costs
Non-Amazon	3PL Costs	\$0.25		Prep to get item to Amazon
<b>% margin on Retail</b>		<b>\$3.23</b>	<b>21.5%</b>	

\$30 item, 10lb gross weight (RTD beverages or salty snack case)			
SELLER CENTRAL - FBA			
Category	Value	%	Notes
Current Retail Price	\$29.99		
Amazon selling fee	\$4.50	15%	Referral fee (8% for <\$15 Grocery items)
<b>Gross Amazon invoice "cost"</b>	<b>\$25.49</b>		
COGS	\$8.00		
<b>Product Margin</b>	<b>\$17.49</b>	<b>68.6%</b>	
FBA fulfillment fee	\$8.08	27%	Amazon ships product to the customer
FBA labeling fee	\$0.30		Fee to apply Amazon required label
Returns and refunds	\$0.35	1.5%	Safety accrual for returns or refunds
PPC & Promos	\$2.33	10.0%	Optional spend: Amazon Advertising
SNS Funding (Est.)	\$0.47	2.0%	Optional: Subscribe and Save program
Shipment into AMZ Warehouse	\$0.20	0.8%	Freight to Amazon
3PL Costs	\$0.25	1.0%	3PL to prep shipment to Amazon
<b>% margin on Retail</b>	<b>\$5.52</b>	<b>18.4%</b>	

\$30 item, 10lb gross weight (RTD beverages or salty snack case)				
VENDOR CENTRAL				
	Category	Value	%	Notes
Pricing and COGS	Current Retail Price	\$29.99		
	Amazon Invoice Cost (Each)	\$23.25	100.0%	Our price sold to Amazon
	COGS	\$8.00		
	<b>Gross Margin (ex. Trade)</b>	<b>\$15.25</b>	<b>65.6%</b>	Invoice cost less COGS
Up Front Trade Spend	Co-Op	\$3.49	15.0%	Amazon marketing coop
	Damage	\$0.47	2.0%	Damage
	Freight	\$0.35	1.5%	Amazon freight allowance
Additional Spend	Chargebacks (Ops)	\$0.35	1.5%	
	<b>Total Trade Spend</b>	<b>\$4.65</b>	<b>20.0%</b>	
Optional trade spend	PPC & Promos	\$2.33	10.0%	Advertising on Amazon
	SNS Funding (Est.)	\$0.47	2.0%	Subscribe and Save costs
Non-Amazon	3PL Costs	\$0.25		Prep to get item to Amazon
<b>% margin on Retail</b>		<b>\$7.56</b>	<b>25.2%</b>	

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We'd love to hear from you! If you'd like more information, please reach out at [contact@gocartograph.com](mailto:contact@gocartograph.com).

### ABOUT CARTOGRAPH

Cartograph is an eCommerce focused agency that helps food brands sell their products on Amazon. Their mission is to help brands grow products that are better for people and the planet. They support brands with strategy, pricing, SEO, advertising, and operations and logistics. Cartograph is based in Austin, TX.