

Difference between FBA and FBM?

FBA stands for Fulfilment By Amazon

This is an order fulfilment model, In Which Amazon receives your products in their warehouse, manages the inventory in their warehouse, when the customer orders the product Amazon will pack the product, and Ship the product to the customer house and will take care of returns and exchanges. FBA is an automated fulfilment model, and it is business friendly as well!

FBM stands for Fulfillment By Merchant

In this order fulfilment model, the merchant has to store all the inventory, when the customer orders the products seller delivers the product, and take care of all the returns and exchanges!

Difference and Definitions Of Retail arbitrage, Online arbitrage, dropshipping, WholeSale and Private Label?

What is meant by Retail Arbitrage?

Buying the products from a physical store, shop or market and selling it to another market with profit margins is known as retail arbitrage. Products are purchased in Bulk for re-selling purposes!

For Example:

- Buying the goods from the shop which is liquefying it's products and selling it on Amazon!
- We went to the superstore where we get a 50% off deal on bulk purchase, then we shop the products and sell them on Ebay!

What is meant by Liquefying:

It contains converting of assets, security or products in cash is known as Liquefying, it also contains selling them at lower prices than the normal prices, it mostly happens when someone needs the money! Like closing the business etc.

What is meant by Online Arbitrage?

Buying the products from an online store at good prices and then reselling it with a good profit margin is known as Online Arbitrage!

For Example:

- Buying the products from Ebay auctions and selling it on Amazon!
- Buying the products from walmart and selling it on Amazon!

What is Dropshipping?

We are having many queries like “how dropshipping business works” so here is the detailed answer:

Dropshipping is a model of Ecommerce, in which seller don't need to buy any inventory, Seller gets the products information from the supplier, seller lists and market the products with profit margin, when the customer orders the seller with its information, Seller orders the product to the supplier with customer information, supplier will deliver the product to the customer, this process is known as dropshipping!

What is the Wholesale business model in amazon?

In the wholesale model, the seller buys the products in **bulk** from any **specific brand**, and then selling it is known as **Wholesale**.

Wholesale= Bulk + Specific Brand

What is meant by Private Label?

Private label as names identifies our own label, so described as:

In a private model, the seller registers it's brand, and the 3rd party or seller manufactures the products with it's own label(logo), and then sells it, known as a private **label!**

Advantages and Disadvantages of Retail and Online Arbitrage:

Advantages of Retail and Online Arbitrage:

- Better profit margins than the other models because we get products at exceptional rates.
- Low risk:
Getting the things at low rates, that can be sold anywhere if they didn't sell according to the seller's plan.
- Easy to start:
No permissions or authorizations required in most cases!

Disadvantages of Retail and Online Arbitrage:

- Not a solid business:
There's no consistency in this business, as we get products for the first time, we might not find that product again!
- No reputation
If a customer buys a product from our store, customers consider it just buying it from any random brand!
- No goodwill of the brand:
When we sell other brand products, we don't make any goodwill, goodwill is just for the brand in this model.

What is meant by goodwill?

An intangible asset, which is a customer's confidence in any brand or personality, that is also a trust badge for the customer.

Goodwill helps in brand marketing, it also helps the brands in selling their new products, recurring sales, no objection to higher price, and much more.

Advantages and Disadvantages of Dropshipping:

Advantages of Dropshipping:

- Low or Zero investment:
We don't need to buy any inventory if you want to start this business, it doesn't mean that you need \$0 to start this business, you need to spend to create a reasonable infrastructure and good investment is required for marketing.
- No fulfillment issues:
Sellers don't need to fulfil the items as items are fulfilled by the suppliers, so all the fulfillment responsibility is on the supplier!
- Easy to end the business:
If this business didn't work well, it can be finished easily without any liquefaction of assets and ending other liabilities.

- Easy to Scale:
Dropshipping business is easy to scale, as sellers don't need to spend on inventory! Sellers just have to extend the product range!

Disadvantages of Dropshipping:

- Returns Issues
Returns are the major problem in dropshipping, as suppliers have different refund and exchange policies, sometimes customers abuse the seller because of the supplier return issues. The best way to deal is to get a refund and exchange policy from the supplier, before you start selling!
- No goodwill of the brand:
As we sell other brands products, so no goodwill is built for the seller!
- No Control on price
The supplier is taking control of everything and we use the supplier products, so we can control the costs as these things are in the supplier's hand!
- Supplier dependency
Everything depends on the supplier, supplier can create issues in shipping, returns, exchange, inventory or anywhere supplier wants.
- No control to inventory:
Products can be unavailable at any time, and sellers can't estimate they will be back, Seller has 0 role in bringing the products in stock again!
- No product improvement:
If customers are facing issues in the product, you can't fix it or make it better! Seller has to ask the supplier to do it, and in most cases the supplier doesn't bother about it!
- Supplier can kick seller at anytime:
Supplier has everything in hand and supplier can kick the seller anytime the supplier wants!

Advantages and Disadvantages of Private Label:

Advantages of Private Label:

- Goodwill building

In private labels, brand makes goodwill, which is also an asset! Goodwill helps us in more recurring sales, and in launching new products!

- Flippable Asset

We can sell our asset with good profit margins at any time, but in dropshipping and wholesale it's not possible to this extent!

- Owner is the king

No restrictions can be applied on the brand owner by others!

- No profit sharing

You don't have to cut off Supplier margin again and again! As the brands do it in bulk, so profit margins are not divided as much, as they are divided in other models

- Upgradation in existing products

We can upgrade or update the items based on our customer needs, we can update our products with trends and market demand!

- Customer needs can be entertained

We can change the product based on the customer's needs, we don't need to rely on anyone who will make changes to products!

- High Profit margins, if you know how to do it

Private labels are much more technical as compared to others, so If you know how to do it in the right way, you can save much money and make good profit margins because of your good skills!

- Customer Confidence

Customers always prefer the products with brands as compared to O label or no label products!
Customers have more confidence in branded products!

DisAdvantages of Private Label:

- Technical and difficult to start and manage

To do a private label business, Seller must be technical! For example a seller has to register a brand for a private label including trademark and business registration! Sellers must be technical for sourcing as negotiation and shipping terms matter too much in sourcing of the product! Seller must be good at marketing and listing to launch the product!

- High amount of Investment required with 0 guarantee

As it has too many costs to start this business, including legal and product issues! While all of this investment doesn't guarantee a 0\$ business!

- Difficult to close the business

Private labels are difficult to close because we have many sides working on that including human resources and others! Too much investment is spent on products, which is also difficult to liquify!

- MOQ issues (inventory risks)

In private labels, we have minimum thresholds to order the product to get our logo, trademark on it! Which can be 1000, 2000 or 50,000 or enough! All of the products are at risk in this model!

- High cost to launch the product

Private label need branding, legal and product costs with technical issues, which makes it difficult to launch as compared to others!

- High marketing and launching cost

As you are the owner of the brand, marketing the products is your responsibility, when you will start the marketing with 0, it will require much costs for each campaign to spread your brand awareness!

- Sourcing and manufacturing issues

Sourcing the products for best prices, when we have a number of competitors is necessary! Because we have to compete with our competitors in product quality, price and after sales services! Products are manufactured in china, which makes it difficult to get the best prices and quality of the product! You need to be technical if you want to source the products for your brand!

- Shipping Issues

When the products are manufactured from China, we need to ship them to Different warehouses, if the seller is not technical it may cause issues for the seller!

- Patent and copyright issues

You need to deal with legal issues as the owner has registered the brand and deal with business laws inside his country!

Advantages and Disadvantages of Amazon Wholesale :

Advantages of Wholesale:

- **No need of listing Experts**

Sellers don't need someone to create good EBC/A+ as it's provided by the brand in this model, Seller has much restrictions on listing, seller can make minimum changings in the listing of the product!

- **Use other reviews**

In wholesale business you don't need to buy reviews as it comes from the product which you are listing!

- **Easier Inventory Restocking**

As wholesalers don't need too much inventory so it;s possible to restock the inventory with minimum quantity!

- **Low Risk**

Sellers don't need to manufacture the items, which is not enabling Sellers to spend good annoubt oib the business!

Disadvantages of Wholesale :

- **Buy box winning**

Winning the buy box is much difficult, Seller needs to be consistent, hardworking and quality work in order to win the buy box for the 1 product.

- **Brands approvals**

Approaching the brand and showing the proofs that are authentic wholesalers is difficult!