

Plan your Amazon strategy, or pay the price. 5 insights for SA brands

By [Tim van der Bilt](#), issued by [Incubeta](#)

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While South Africa's consumers may be rejoicing at the news that they will be able to enjoy all the convenience and competitive pricing of the world's biggest online marketplace, the news that Amazon will be open for business next year may have some brands re-thinking their channel strategies. And rightly so, because making an Amazon play without a well thought through plan could end up costing companies more than they realise.



Tim van der Bilt

Tim van der Bilt, head of global marketplace specialist, Incubeta Maze-One, shares five insights for local marketing leaders when considering how they should respond to Amazon's local launch next year.

Choose how you enter the marketplace

Brands generally have their hands full managing their pricing, both on and offline. When they launch a new or updated product, they must carefully manage where it is sold to ensure they benefit from the biggest margins while demand is high.

One way brands can maintain pricing control is to carefully consider which Amazon model they choose for each product. The simplest, and best known, vendor model allows Amazon to buy products directly from big brands and sell them on the platform under its own name. This works as a good B2B business model for brand manufacturers to reach a vast market without direct customer contact. However, Amazon can then determine the price, even selling at a loss if they choose, and it's likely the rest of the market will follow suit to remain competitive. This will result in price erosion and could backfire.

The second is the seller model. This allows brands access to Amazon customers while retaining ownership of their goods until they are sold. They can also make use of Amazon for warehousing and fulfillment as part of the FBA or Fulfillment By Amazon programme. This has its benefits, but requires a more hands-on approach.

Smart brands must carefully plan which product fits best for each model and it is especially here that leaning on specialists

can come in handy.

Don't wait for Amazon

Local brands which may have been toying with a marketplace play should not wait for Amazon. If they see merit in creating an additional channel, they should get going. In fact, the time between now and the Amazon launch will give them the opportunity to create and refine their content and strategies, which may even allow them to simply copy and paste when Amazon opens its doors. Our experience shows us that Amazon may take some time to capture the dominant position, as has been the case in other markets, and so having a comprehensive marketplace strategy is a must.

Your own website still has its advantages

CMOs should not neglect their own websites. While Amazon certainly shares some data with brands, it doesn't share the follow-up data or data that can be plugged into a CRM system. This vital proprietary data allows brands to run targeted digital campaigns and, most importantly, build the relationships with their customers that will be the digital currency of a cookieless world.

Another valuable learning is that brands which are first on the Amazon platform can secure a higher organic ranking in their category. We have seen that, by and large, these first movers have also been able to maintain that high ranking, bolstered by their higher sales. This self-perpetuating cycle should serve as a real motivator for South African brands.

Size matters and SMMEs have a lot to gain

One thing we have seen with brands is that their size and market clout will impact their marketplace strategy. If a brand can genuinely afford to keep everything on their own website, they should – as was the case with Nike, which pulled out of Amazon as a first-party vendor in November 2019.

Small brands, however, have a lot to gain from tapping into the scale and support offered by Amazon and other marketplaces. In an instant they have access to a global fulfilment network without any of the cost or risk that comes with organic market expansion.

Resellers may not have an easy time

Logically speaking, the brand registry on Amazon will count against resellers who may be looking for an alternate sales channel. In other regions we have seen that big resellers can easily get into a race to the bottom when it comes to pricing if they use the marketplace, and so local resellers may want to carefully consider their thinking before dipping a toe in.

In summary, brands should:

1. Aim to control as much as they can, especially their pricing strategy. They should also continue to invest in their existing brand website to avoid cannibalisation.
2. Start with the local marketplaces while waiting for Amazon and use the next few months to build content and test selling strategies.
3. Make a choice early about which platform model to use. We know from experience that Amazon is the toughest negotiator in the world. If they can sell your product for R100 instead of the R150 you are looking for, they will. Brands without a plan stand to lose. Big.

Incubeta is hosting a dedicated webinar for South African brands considering using Amazon. If you are interested in this free resource [sign up here](#).

ABOUT THE AUTHOR

Tim van der Bilt is an online marketing veteran, investor, and entrepreneur. He started his early career at BT and Yahoo!, followed by leadership positions at AOL and Dentsu Aegis, as well as at two of his own companies that have each been acquired. Most recently, he sits as the founder and CEO of a full-service marketplace agency, Incubeta Maze-One (formerly Maze-One), which became part of the Incubeta group in 2021.

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