FBA Aggregators: What Makes Amazon FBA Brands Unparalleled Acquisition Targets in 2022



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The market for acquiring Amazon FBA businesses is booming — FBA aggregators have collectively raised over $14 billion since January 2020.

Several reasons, according to a Fortunet survey, have combined to create this promising atmosphere: the pandemic kickstarting a new ecommerce boom, the success of flagship aggregators (like Berlin Brands Group, SellerX and Elevate) and more money flowing from investors to FBA aggregators and acquirers.

On the other hand, Amazon still commands a dominant position

in the online retail space, accounting for 41.4% of all U.S. ecommerce sales in 2021. These factors are conducive to a lucrative exit for budding FBA businesses. After helping numerous brands position themselves for an incredibly profitable exit, I identified the following reasons why M&A is focusing on FBA businesses:

Investor interest spurring wealth transfer

The resounding success of aggregators like SellerX and Berlin Brands Group has given rise to many more players, with over 90 aggregators currently operating in the industry.

Additionally, the market is experiencing a flood of investment capital, and as a result, aggregators are stepping up. A recent survey showed that 47% of aggregators paid an average of $2 to $5 million for each brand they acquired. And in 2022, aggregators are predicting they would not pay less than $1 million for any brand.

Aggregators are quickly realizing that FBA businesses can become highly-profitable digital assets and great additions to diversify their digital portfolio.

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The evolving definition of premium brands

Contrary to the traditional strategies of growing premium brands from scratch, entrepreneurs today are enabled by Amazon to fast-track both business and brand growth.

FBA business owners are quickly onboarding data and analytics-powered brand-building strategies. Coupled with compelling

products and prices and investing in convenience rather than heavy marketing, FBA brands have unlocked the secret to rapidly growing a premium brand.

Aggregators are noticing this changing dynamic of brand building and are flocking to acquire promising businesses that have a solid foundation in automated operations, documented SOPs and unique future-proof products.

Post-pandemic consumer trends are here to stay

The Covid-19 pandemic was the catalyst for much of the ecommerce and FBA aggregation growth since 2020. Consumers are not reverting to pre-pandemic levels even after the pandemic has subsided. This inevitably attracted and will continue to attract entrepreneurs wanting to make an income online, either full-time or as a side gig.

Consumers will continue to value convenience and unique shopping experiences, paving the way for out-of-the-box thinkers. This will further bolster the steady supply of FBA brands available for acquisition and boost the supply-side equation as well.

With external factors geared towards making this market extremely favorable for promising FBA brands, what can you do to ensure you’re one of those businesses?

You can focus on growth drivers right from the early stages of your business, even if selling is not on the cards yet. Here are some specific elements to focus on:

Proven Performance

FBA aggregators want to acquire a business that has already figured out its product-market fit. The very reason they’re in

the market is to own a proven and well-performing asset instead of growing a business from scratch.

If your business has shown steady revenue over the past 12 months without erratic sales around the year, you should be a strong contender for acquisition. Also, FBA aggregators don't want to dip their toes into something that is near its end of life. They're looking for a business that is still growing and one they can scale to greater heights. Therefore, you should be able to show a future growth potential to acquirers during the discussions.

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Minimal risk sources

Next, potential owners will want to look at all possible risk sources for your business. The red flags are quickly identified by aggregators and can hurt your valuation – or even blow the sale altogether.

Having a concentrated product portfolio shows a heavy reliance on just a few products for a majority of your sales. Any external factors causing a decline in any of these products' sales can hurt your overall sales. Moreover, the very nature of your products should not be seasonal. It should be evergreen in order to attract the attention of aggregators.

Additionally, your supplier relationships and supply chain logistics should be strong enough for a smooth ownership transfer.

Marketing and social proof

When you're selling on Amazon, mastering the ecommerce giant's algorithm is a tough nut to crack. But over time, if you manage to do it, your valuation gets a definite boost.

Strong keyword rankings or Bestseller Rankings (BSR) for your products is a sure-shot indicator of your successful marketing. Also, positive reviews with a vocal brand community on social platforms give you a ring of authenticity that's not easily replicable.

Your product may have great sales potential, but without the right marketing, your revenue will fall flat. It's better to take the help of an experienced full-service marketing agency rather than doing it yourself and potentially causing your brand to suffer.

Automated operations

Keep looking for operations that can be automated with defined SOPs and excellent team members. FBA aggregators want to acquire automated businesses that can run with minimal involvement – one that doesn't consume hours of their daily bandwidth just to keep it operational.

You can invest in AI-powered inventory tools to automate your inventory management and other operations. These analytics-driven tools can help you avoid stock-outs and unintentionally having higher prices than that of your competitors.

Lastly, when you think you're ready to sell your business, always consider the expertise of an FBA brand accelerator to ensure the maximum valuation for your business.

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With the market ready for acquiring leading brands in their niches and no lack of investor funding, 2022 looks set to shatter existing FBA aggregation records. Proven success by large aggregators and ecommerce sales creating enough opportunities for new businesses will keep driving the market forward.

Make sure you’re working on your value drivers early on to make your business a lucrative target for FBA aggregators.

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