Guide to Starting a ‘Fulfillment by Amazon’ Business

Interested? It is possible to build a five-, six- or even seven-figure business by leveraging the FBA model.

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The Fulfillment by Amazon (FBA) business model continues to grow in popularity, and for good reason. Fundamentally, it’s the same as a traditional ecommerce business. But, instead of your having to fulfill orders one by one, Amazon stores your products for you and even picks, packs and ships them out to customers.

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This makes it a lot easier for you to build your business without having to worry about the logistics of warehouses, packaging materials, couriers and so on. With private labeling, you also have the opportunity to build your own brand and website, thereby increasing the value of your business.

Raring to go? Here’s our basic guide for starting an FBA business.

What Is Fulfillment by Amazon?

The FBA business model allows you to leverage Amazon's robust distribution network and customer base. As noted, Amazon will warehouse your products, fulfill orders and even provide customer service so you don't have to be hands-on with every aspect of the business.

What this means for entrepreneurs is that you can act like a big corporation without the headache of actually being one. You can focus on finding product opportunities while Amazon handles the rest on your behalf.

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In a typical ecommerce business, you have to figure out the logistics of sending products to your customers in a timely manner. However, with FBA, Prime members get most orders shipped to their door within two to five days.

Another common challenge with an ecommerce store is that inventorying and listing additional products for sale can increase the complexity of your business. With FBA, all you need to do is ship the products to Amazon's warehouse, and the company will take over from there. You can easily increase your product selection without significantly adding to your workload.

Create an Amazon seller account.

First things first: In order to get your FBA business up and running, you're going to need to create an Amazon seller account. Go to Amazon's website, scroll down to the footer and look for the heading marked "Make Money with Us." Then, click on the link that reads "Sell on Amazon."

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At this point, you can either sign up as an “Individual” or a “Professional.” When you sign up as an “Individual,” you will not be charged a monthly subscription fee. If you’re looking to build a business over the long haul, then you’ll want to sign up as a “Professional.” The first month is free, and after that, it’s $39.99 per month plus selling fees.

Other than that, the signup process is relatively straightforward. Follow the onscreen instructions and complete setup.

Uncover product opportunities and establish your private label.

There are a number of different ways to leverage the FBA model, but the most popular way is private labeling. The idea is to establish a brand or label, apply it to your product and sell it on Amazon.

First, you will need to do your Amazon product research. This is the most important step for a variety of reasons. If you enter an unpopular product category and sell a product for more than your competition is selling it for, you could lose money on that product. If you take the time to find a popular product category, do competitive analysis, study product reviews and identify a product that you can improve upon or sell at a better price, you’ll have found the sweet spot.

Another popular way to sell products through Amazon is with retail arbitrage – buying a brand name product and flipping it on Amazon for profit. This is a much easier way of making money on Amazon, at least in the short term.

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With private labeling, you need capital. Ordering private label products may cost you several thousand dollars, but if

you’re looking to build an asset that can later be sold, then this is the direction you want to go in.

Another key piece of the puzzle is your supplier. You can’t make money if you don’t have products in stock, so you need to ensure that the time delay between the placement and delivery of the order is as short as it can possibly be.

Tips for growing and scaling your FBA business

- **Pursue your passion**. If you enjoy doing it, you will stick with it for longer. Find a product category that interests and excites you.
- **Increase your product offerings**. You will need to do proper research for every new product offering you create. Having more products can reduce the risk of your business becoming dependent on just one product.
- **Improve your Best Sellers Rank**. BSR is an important metric for both your customers and your sales. This is also a key factor when the time comes to sell your business. Buyers will want to see steady growth in your BSR rank over time.
- **Build your brand website**. As you continue to expand your private label product offerings, you’ll want to build a professional, dedicated site for your business. This gives you another way to market your products, and can also make your business attractive to potential buyers.
- **Become an Amazon Associate**. Increase your revenues by becoming an affiliate with Amazon. Refer customers to your products from your own site, and start earning commissions.

Earning potential

How much do FBA business owners earn? What is the earning

potential of an FBA business?

Spencer Haws from Niche Pursuits reports he was able to make nearly $40,000 within 30 days of starting his FBA business. Chris Guthrie from UpFuel made almost $3,000 within 30 days. James Amazio, founder of Feedbackz, went from zero to $50,000 per month in just eight months.

These results aren't necessarily typical, but they do show that it is possible to build a five-, six- or even seven-figure business by leveraging the FBA model.

Related: 5 Ways To Grow Your 'Fulfillment by Amazon' Business

Final thoughts

Although starting an FBA business will require up-front capital, the effort will be nowhere near as intensive as it would be with a traditional ecommerce business. Getting your business off the ground is the easy part. Finding ways to grow your FBA business is the more difficult part. Take advantage of the resources available to you, and systematize your processes as you go.

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