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Study: Amazon shifts to preferential treatment for brands

Author: Tom Ryan for Retail Wire
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According to a new study, Amazon.com has set up a pay-to-play system for certain brands seeking more exclusivity and better positioning on the site.

The study, entitled Great White Shark, by L2, a subscription-based business intelligence service, examined 27,517 Amazon listings of 315 brands in six verticals: Beauty, Fashion, Hair Care & Color, Home Care, Personal Care and Watches & Jewelry.

It identified Levi's as one of the brands that benefited from a partnership with Amazon. Apparently due to better terms and greater access to its product range, Levi's gained improved visual merchandising and search performance on Amazon.com vs. its competitors.

Indicating perhaps a bigger benefit, a product search on Amazon.com found that no Levi's products were available from third-party re-sellers. Brands have complained that unauthorized sellers on the site are low-balling goods and devaluing their brands in the process. Gray-market sales are also an issue.

By comparison, Ralph Lauren, a brand, which reportedly doesn't have a partnership with Amazon, has over 9,000 items for sale on the site through third-party sellers.

According to Bloomberg, this marks a shift in Amazon's strategy of generally allowing third-party sales. Bloomberg wrote that CEO Jeff Bezos "has long nurtured the open-bazaar environment, yet there are now signs he's willing to sacrifice the increased selection for a more direct relationship with companies in categories like fashion and cosmetics where Amazon wants to increase its offerings."

A chart included in the report shows that brands that do not officially distribute on Amazon.com have a significantly greater number of listings being sold by third-party merchants.

In a video on L2's website, Scott Galloway, a marketing professor at NYU's Stern School of Business and co-founder of L2, said, "Amazon's worldwide network of third-party merchants all but ensures that brands have a presence on the platform, whether they want to or not."

Click here to view:
http://player.vimeo.com/video/102782484?title=0&byline=0&portrait=0&wmode=transparent

In another example, the report noted that in the luxury space, few prestige brands officially distribute on Amazon. But Burberry's has "strategically traded the official distribution of a limited number of its SKUs in exchange for Amazon cleaning up third-party distribution of other Burberry products," the study states.

In the CPG space, L2 pointed to Procter & Gamble's agreement to let Amazon ship directly from its warehouses. L2's analysis further found that in addition to cross-bundling deals across P&G's portfolio listings, "more P&G products are eligible for Amazon's Prime Pantry and Subscribe & Save programs than any other CPG firm."

The study concluded that the shift is forcing brands to make concessions for preferential treatment. But also being affected are third-party sellers, including many retailers, which can no longer sell brands that strike deals to sell more exclusively through Amazon.

Amazon declined to comment on the study.

Link: http://www.retailwire.com/discussion/17730/study-amazon-shifts-to-preferential-treatment-for-brands