



Export Express

Insights to Accelerate International Expansion



Our Mission: Help Manufacturers "Spend time *Selling* to Distributors versus *Searching* for Distributors"

Made in USA, Italy, Germany, or UK?

Export Solutions launched new database coverage featuring distributors dedicated to brands from one country. Database subscribers may use filters to select distributors in 96 countries specializing in brands from the USA, Germany, or the UK. This capability follows our popular Italian Food Distributor list tracking 934 Italian food and beverage distributors. Visit www.exportsolutions.com to learn more information about our new "searchable" database with screening tools to search by country, brand or category.

Navigating Amazon

A 2015 Kantar Worldpanel research study predicted that e-commerce is expected to account for half of grocery value growth during the next 5 years. No longer just a "category killer" for books and toys, this new channel continues to grab a larger share of the shopper's basket. 1010Data, a USA online market research company, captured 2015 online sales increases exceeding 74% in categories such as healthy snack bars, toothpaste, and laundry detergent. Winning in e-commerce is a strategic priority for industry leaders, as they experience total channel growth rates of 40% in China and exceeding 14% in Europe and the USA. To understand the impact for our industry, we share some insights on Amazon, the company whose reach extends far beyond the length of 4,195 mile river with whom it shares its name.



Germany, UK, Japan, and India, the newest star in the Amazon universe. The strength of Amazon is its network of 109 Fulfillment Centers serving 304 million active customers in 180 countries. Founded in 1994, Amazon still records an impressive 20% annual growth rate while traditional "brick and mortar" retailers struggle with flat sales. Amazon seeks to be earth's most customer-centric company for four primary customer sets: consumers, sellers, enterprises, and content creators.

Three Vendor Classifications

The Selling to Amazon experience ranges from the most "innovative,

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World's # 2 Retailer

In 2016, Amazon will claim the title of the world's second largest retailer, with sales approaching \$130 billion, streaming past Carrefour, Costco, Tesco, and Kroger. Amazon maintains direct operations in 13 countries stretching from its USA base to

Amazon Fast Facts

- ✓ 2016 sales revenues of \$130 billion, # 2 retailer worldwide.
- ✓ 304 million active customers in 180 countries.
- ✓ International (outside North America) represents 33% of sales.
- ✓ Top 3 countries outside USA: Germany, United Kingdom, Japan.
- ✓ India: Fastest growing country. Amazon: most visited e-commerce site.

Navigating Amazon

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collaborative” partner to the title of the most “frustrating” retailer to deal with. Selling to Amazon is “self serve” for most companies, forced to an “online only” relationship managed through Amazon Vendor Central. This creates an unsatisfying situation for million dollar brands accustomed to face to face customer interaction. Amazon’s lean buying team of bright, competitive, MBA’s is dedicated to building their business with “big brands in big categories.” Estimates suggest that minimum sales of \$5-10 million or more are required to join this second group of suppliers permitted to work directly with buyers. Feedback within this group is overwhelmingly positive, as long time cpg/fmcg suppliers enjoy Amazon’s fast paced approach, focused on growing share of category sales versus paying the supermarket menu of retailer fees for costly promotion activities. An elite group participates in the Amazon Global Vendor Partner program. This applies to a select group of large, multinational companies.

Unlimited Assortment

Supermarket shelves stock a limited number of items, but the internet has no space restrictions. As a result, Amazon typically wants to sell every single item that your company offers, including close-outs. For example, Amazon UK claims availability of 91,629 unique tea items, including Pure Chimp Super Tea, their number 1 selling item in the Green Tea segment. Bet you can’t find Pure Chimp at Tesco! All product listings are UPC driven, and manufacturers handle most of the “upload” work at Vendor Central. For our business, most manufacturers ship directly to Amazon and they disperse merchandise throughout their system. An important point is that there is little penetration of private label, even in countries like the United Kingdom, where private label share frequently approaches 50% of category sales.

Price Still Drives Volume

Amazon strives to maintain competitive, if not leadership pricing. Price points are constructed using a formula which incorporates supply chain costs, including their popular Prime feature which promises 48 hour delivery. Manufacturer funded temporary price reductions remain a proven tactic to drive volume. A key difference is the ability to participate in short term promotions like Deal of the Day or Lightning Deal.

Amazon Marketing Services

Amazon encourages partners to participate in proprietary programs to drive incremental sales. A popular option is pay per click for certain key words. This allows manufacturers to increase visibility for their brand by bidding for key words related to their category or competitive brands. Amazon Vine invites the most trusted reviewers on Amazon to post opinions about new items. Subscribe and Save represents a feature that automatically replenishes products to customers at a designated frequency. Suppliers credit Amazon Marketing Services for their relentless pursuit of creating “new ways to sell old products.”

Global

33% of Amazon’s total sales are sourced from outside North America. Amazon operates in the top 6 e-commerce countries in the world with impressive positions in Germany, United

Kingdom, and Japan. Each country operates autonomously, with only a handful of global touch points on the grocery procurement side. China represents a struggle, with a market share of 1.5% in the world’s largest e-commerce market. Amazon placed a 2 billion dollar investment in India. Amazon competes as part of a trio of companies racing to redefine “How India Shops.” Boston Consulting Group reports on India that “in a very short period of time, e-commerce has become half of what the organized market is. Two-three years down the line, the e-commerce market could be larger.”

Future

Potentially, Amazon is in its infancy of redefining how we develop and market our brands. Imagine the product personalization options available when not limited by the constraints of shelf space and listing fees? Or the ability to instantly track product sales by city, guiding us where to launch our products in a massive country like China, India, or even the USA for an overseas supplier. In India, Amazon and its competitors are investing in programs that stimulate entrepreneurship, and create innovative solutions for complex supply chain and financing issues. It is entirely possible that India’s consumers may “leapfrog” the physical supermarket build out phase to models based upon e-commerce.

Many suppliers and distributors have been reluctant to dedicate resources to e-commerce and Amazon as it is complex and a “smaller” part of the business today. Engage now, while the rules are being written and cost of entry is relatively low. Later, barriers will be raised and learning will be more expensive for those who are late! Many companies deploy a cross functional team to service Walmart, Costco, Tesco, or Carrefour. Time to invest in e-commerce and an Amazon team to partner with the world’s number two retailer that has already rewritten the rules of consumer goods.

Amazon Sales By Country

Country	2015 Sales* (billions \$USD)
United States	62
Germany	13
United Kingdom	9
Japan	8
Canada	2
France	2
All Other **	3
*Excludes Amazon Web services	
**Australia, China, India, Italy, Mexico, and Spain	