It’s Always Day 1

Day 2 is stasis. Followed by irrelevance. Followed by excruciating, painful decline. Followed by death. And that is why it is always Day 1

-Jeff Bezos
Partnering With Amazon

IDEOCLICK, INC.
TODAY’S OUTLINE

- Amazon Need-to-Knows
- Partnering...With a Machine
- Negotiating With Amazon
- Q&A
WHAT DOES AMAZON HAVE TO GET RIGHT?

- Anticipating customer needs
- **Inputs**, inputs, inputs
- Hiring and performance bar
- Automation
- Leadership principles

**Amazon** is prioritizing

- Profitability
- The advertising platform
- Innovation
- Automation
- Being in the home
Hard data drives decisions

It’s always Day One

Failure is inexpensive, errors of omission are costly

Customer centricity is a guiding principle

“"We are not in the business of selling things, we are in the business of helping people buy things"– Jeff Bezos
The VIRTUOUS CYCLE as drafted by Jeff Bezos on a napkin in the early days.

Source: Amazon Slide
AMAZON PRICING AND ASSORTMENT STRATEGIES

Not to beat online or in-store: “Fast Follower”

Platform exposes the “real” marketplace price

FBA pricing also under control and scrutiny

Opportunity to offer your entire line, from flagship to back-catalog

Source: Amazon Slide
PARTNERING WITH AMAZON
WHAT DOES PARTNERSHIP WITH AMAZON LOOK LIKE?
**Keys to Success on Amazon**

- Proper and accurate item set up
- Financial viability (for both parties)
- Consistent in-stock levels
- Receiving traffic and activity
IF YOU MUST PARTNER

- Know your KPIs
- Quid pro quo
- Focus on win-wins
- Move fast and iterate
WHAT DOES AMAZON WANT?

- Money & profitable products
- Assortment – all of it
- Product when they order it
- Program participation – testing partners
- Support for “big” initiatives
- Intel to inform products and services
Can’t

Realize

Any

Profit

Inhibits growth

Amazon Philosophy

VENDOR PROBLEM

Creates pressure to lower costs to Amazon or provide additional funding

PROFIT = PARTNERSHIP
Amazon’s automated price matching system can quickly lead to profitability challenges

Source: Melissa Burdick
THE NEGOTIATION PROCESS

AMAZON'S ASK
- Typically automated ask based on algorithm

BRAND REPLY
- Agree or compromise
- Ask for a call
- Ask for more time
- Ask for data

NEGOTIATION
- Typically email exchange or 1-2 conference calls
- If no agreement reached, escalated to human interaction and then to more senior person
Present big “asks” to start
Asks are algorithmically generated
Pressure to close quickly without interaction
Need to anniversary commitments & show improvement
Looking at canned reporting
“Total vendor funding” is a guiding principle
 Likely know very little about your business
NEGO TIA TION COMPONENTS

MONETARY

- Co-op, accruals, marketing funding
- Volume incentives (VIR)
- Damage allowance
- Freight allowance
- Returns allowance or markdown
- Subscribe & Save funding
- CRaP allowance or profit guarantees

CONTRACTUAL

- Freight terms (pre-paid or collect)
- Order minimums
- Payment terms
- Returnability
- SVS
- Program participation
Preparation to Negotiate:

- Don’t be pressured to close!
- Hold back a reserve for “problems” throughout the year
- Pick your spots
- Speak Amazon’s metrics language
- Drive a stalemate
- Use a calculator
- Ask LOTS of questions
- Know what you can approve
How does my profit compare with the category? With my peers?

Who are the largest brands in my category?

How do I stack rank with your other vendors?

Who are my “peers”?

What are my peers doing better than me?

Do I have CRaP items? How many? How much money does Amazon lose?

How much does my freight actually cost Amazon?
KNOW YOUR KEY BUSINESS METRICS

- Current terms
- Relative size in category
- CRaP level or rate
- Product rankings
- Fast Track In-stock (FTIS)
- Vendor lead time (VLT)
- Replenishable Out of Stock (Rep OOS)
- Damage rates
- Return rates
- Subscribe & Save (SnS) penetration

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<th>2017 COUNTER (PROPOSED)</th>
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XLS File available for download on www.andreakleighconsulting.com
IN CONCLUSION
KEY TAKEAWAYS

✓ Amazon is a platform, not a partner
✓ It’s possible to partner if you understand their goals
✓ Know your KPIs
✓ Be willing to test, iterate, and start over
Thank You