

# THE WHOLES<sup>A</sup>LE FORMULA

## Module 2 – Understanding the Buy Box

Alright, we're back for the next lesson. In this video, we're going to discuss the Amazon Buy Box; what it is, its purpose, and why it's so important to you and your business going forward.

So, what is the buy box?

The buy box is located on every Amazon product details page. This is the buy box. The name, buy box, is quite literal. It's the little box that most shoppers use to buy products.

As you can see, if I wanted to purchase this item, I would click "add to cart."

Amazon sellers control the buy box one seller at a time. Notice that the buy box is currently controlled by this seller, Crazy Daisy's Discount Emporium. This is important, because if we scroll down a bit, we can see that there are additional sellers who are offering the same exact product.

So, what this means is that although there are multiple sellers currently selling the same item, only one of them can control the buy box. And the seller who currently controls the buy box, will receive the sale.

To understand why this is so important, we must first discuss the purpose of the buy box.

So, why does the buy box exist?

The buy box exists because one of Amazon's top priorities is providing a positive customer experience. Amazon prides themselves on being customer centric; they are constantly looking for ways to streamline the online shopping experience.

So, the buy box was created with this goal in mind and there are 2 primary goals of the buy box:

Number one, convenience. After you perform your search and click on a product, you can instantly add the item to your cart. This is typically of most online stores because it's convenient. But, unlike most other online stores, Amazon has multiple sellers, so to use a feature like the buy box, they have to give the box to someone. Think about this for a second. If the buy box didn't exist, you would have to scroll through all of the sellers and select one to buy from for every product you wanted to buy. Clearly that would be a terrible experience for any shopper. Shoppers would need to make price, shipping, feedback, and return policy comparisons before picking one to buy. It would take forever, so a buy box makes it so much more convenient to shop.

The second primary goal is to provide the best possible value. So, what the buy box does is it uses an algorithm of several different factors to determine which sellers provide the best possible value. It then assigns the buy box to one of those sellers. Price is obviously one of those factors, but there are others as well. We'll get to those in a moment, again this goes back to Amazon wanting to provide a positive customer experience. They do this by making the best possible value available to the customer immediately and at the click of a button.

Now, all of this matter because it is estimated that more than 80% of all sales are conducted through the buy box! And we believe that that number will only grow over time. Being in the buy box is a hugely important factor of selling your products, and there isn't a single thing that will affect your sales more as an Amazon seller. I know what you're thinking, "whoa! It sounds like I have to control the buy box, otherwise what's the point." Well, not quite. You will need to control the buy box. BUT...don't worry, because what I haven't told you is that control of the buy box rotates among sellers. So, essentially, sellers who provide equally the same value to customers according to those factors will share the buy box.

How does Amazon determine who controls the buy box?

Now, unfortunately, Amazon has never released the algorithm they use to determine control of the buy box, but don't worry because through our experience we feel we have basically cracked the code.

These are the factors we believe Amazon uses to determine control of the buy box along with their level of importance.

The first factor we want to cover is fulfillment method. This one is very simple. Amazon gives buy box preference to those sellers who can deliver the product to the customers with speed and accuracy. This means that utilizing the FBA service is HUGE in deciding how often you control the buy box. If you are a traditional non-Prime Merchant fulfilled seller, your life will be difficult. If you can offer Seller Fulfilled Prime, you can get buy box preference over other Merchant Fulfilled sellers, but still may struggle against FBA sellers as your metrics will weigh in heavily.

We unequivocally think that you should use FBA as your only means to deliver products to customers. This allows you to both maximize your buy box percentage and focus your efforts on turnover and sales.

The next important factor is price. This one is huge, and only behind fulfillment method in terms of importance. There are a ton of variables that go into this, but it is very important to remember that with FBA your price includes shipping to the customer. Generally, the lowest priced Prime sellers will share the buy box. Sometimes, you will see Prime sellers control the buy box who are a bit more expensive than other prime competitors. Also, you will sometimes see non-Prime sellers control the buy box, but they usually have to be much cheaper than the prime sellers. But, generally, the lowest priced Prime seller will control the buy box. Now, we are not giving you this information to suggest that you should always price your products cheaper than the other competitors. We actually suggest that, as a prime-eligible FBA seller, you should match the lowest Prime-eligible offer. Pricing your products cheaper than the lowest-priced Prime competitor will usually start a price war and pricing them higher will

reduce your chances of sharing the buy box. So, again, our recommendation is to simply match the lowest-priced Prime seller. I just wanted to show you how price is a factor in controlling the buy box.

Next, we have seller rating. This one is a bit self-explanatory, but there is a lot of weight on both your total number of feedback and your overall score. You should really strive to be above 98% positive or above, ideally. It is also critically important to remember to protect your seller rating. At some point, you will probably receive negative feedback. Generally, as an FBA seller, most negative feedback violates Amazon's guidelines. If you receive a negative feedback that is against Amazon's guidelines, you should try to get Amazon to remove it. If it does not violate Amazon's feedback guidelines, you should try to resolve it with the customer, if possible.

Most people concern themselves with how many feedback that they have. Although that's certainly important, the first two factors are much more important for determining buy box control. As long as you use FBA and have a competitive price, you will control the buy box almost as much as the other competitively priced, prime sellers. I realize, if you are new, Seller Rating and Feedback can be a disadvantage, but keep in mind, that despite those factors if you are competitive and focus on being great at the other factors that you will still get plenty of sales, and these numbers will rise over time!

The next two factors I'm going to mention are Order Defect Rate & Customer Response Time. Order defect rate simply means you should focus on buying high quality products that don't have high defect ratings. The best way to research order defect rate is to scan customer reviews. If the product has more than a hundred reviews and has a feedback rating lower than 3.4 stars, this is a red flag. You should look at the reviews and see if they are old. If they are old, and new reviews appear to be positive, you can usually safely assume the problem has been dealt with. If they haven't been dealt with, you should proceed with caution. If the product has less than 100 reviews, we consider that sample size to be too small to make a determination.

A quick aside here. For the most part, customer reviews factor VERY little into our purchasing decisions. We only care if the and the problem seems to be consistent and current. If the problem appears to have ended, then we will continue forward and focus on working with the brand to improve their image.

Customer response time is very easy to deal with. When a customer asks question, answer them! The vast majority of customer service is handled through Amazon, so you may only get these sporadically; so a few times per week or month. When you do receive one though, it is important that you take the time to fully answer their question and handle it quickly. You are penalized for responses over 24 hours old, but realistically, you should shoot for an average response time of 12 hours or less.

The next factors I'm going to mention are Late Shipment Rate, On-Time Delivery, Tracked Delivery Rate and Cancellation Rate. These are ALL aspects of Merchant Fulfilled shipping, and aren't something you have to consider if you utilize FBA.

The last two factors we have to discuss are Inventory Depth and Inventory Duration in Stock. These metrics are well within your control. Amazon wants to see that you have sufficient inventory to meet demand and that you keep your products in stock consistently without running out. If you do those

things (simply being a good seller, and good at your job), you get rewarded for it. Our suggestions, and as you move through this course will help you to understand and take advantage of this. For many people, this can be a negative. However, if you follow our system and take action this will generally be a boon to your buy box percentage.

Now that you know how important these factors are to controlling the buy box, let's look at the targets you should be striving to hit for each of these factors. Again, the preferred fulfillment method is FBA. For price, you are looking to match the lowest Prime offer. For seller rating, you should strive for over 98%. The ideal feedback score is 100%. Your ideal order defect rate is 0%. As we mentioned earlier, your customer response time should be less than 12 hours. For inventory depth, we suggest the higher the better. And for inventory duration, we recommend that you try and keep consistent inventory numbers and it's important that you never run out of stock.

You should simply use this as a guide to make sure that you are maximizing your ability to get the buy box and to make sales. Your goal is to ideally outperform this set of metrics.

The buy box is a fair tool. It rotates among sellers based on their ability to meet these factors. So, realistically, if you are following the program above and are in compliance with their metrics, YOU WILL GET SALES. YOU WILL GET YOUR DAY IN THE SUN!

Now that you know the what the buy box is, it's purpose, why it's so important to sellers, and, most importantly, how to gain control of it, you have a huge advantage going forward.

Take solace in the fact that all of these things are in your control. Everything is in your control, and you can maximize your sales just by doing a great job!

Well, that wraps it up for this video, I hope you learned a lot. Thanks for watching and I'll see you soon.