

5/1/2019

Navigating the Amazon Minefield

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"You can't identify me because—I admit it—I'm afraid of Amazon. I've heard enough about how vindictive they can be. I've seen stories of Amazon resellers who've been thrown off the site or sometimes had their payments withheld for unspecified reasons. I've built a niche selling garden accessories online during slower seasons. I need that volume to continue.

"The second reason you can't identify me is I don't want it known I agree with Elizabeth Warren!" Our anonymous garden center owner and online entrepreneur is referring to Senator Warren's opinion Amazon needs to be broken up because it "owns the marketplace," favoring their own products over those of the independent businesses forced to use Amazon's Marketplace.

She isn't alone in this opinion. Questions have been raised in well-researched articles in media like The New York Times or "Amazon's Anti-Trust Paradox" in the Yale Law Journal (tinyurl.com/ycyh7wm). For example, Alexa complicates Amazon's legal position. When commanded to "buy batteries," Alexa only offers Amazon Basic Essential branded products.

How does this make money for the average garden center? These issues support the huge shift in retail private brands for margin and customer retention.

Ever since the first grower sold plants the claim has been made: "Our plants are the best for this market." While earlier retailers did a comparatively weak job branding the plants they grew, the importance of identifying a product as unique to a store or locale has increased. If the customer succeeds with a plant they need to be reminded that they must return to the same garden center to duplicate that quality.

Some garden centers can create their own brand across wide product offerings. Betty's Azalea Ranch (Fairfax, Virginia) has been mixing its own lawn seed and fertilizer for years. Belle Mead Co-op (Hillsborough Township, New Jersey) has its own New Jersey Gold bird food and sells private branded bird food like Feathered Friend and Agway, both available through Southern States Co-op.

Private or controlled brands offer the retailer two significant advantages for profit enhancement. First, because the retailer must do some of the work normally done by the name brands, the retailer's cost is less. Second, the lack of "showrooming" means it's harder for the customers to shop for the same product at a lower price on their smartphones. This results in a higher percentage of customer conversions within the store, rather than the

“leakage” when the in-store customer decides what brand to buy, then leaves to buy it elsewhere or online.

Well-known national brands want retailers to believe their marketing will drive customers into stores demanding their product. This helps retailers who flourish off the foot traffic. What some mass retailers have discovered is selling these high-demand brands at low margin drove even more store traffic that ultimately bought other products with better margins. The keys here are volume and traffic.

Stocking private brands or controlled distribution products allows independent garden centers to show the customer a great product at a superb price with more retail profit return. The old perception that private brands are generic is over. Costco's Kirkland and Amazon's Basic Essentials have conditioned the consumer to understand the price/value relationship of store-focused brands. It's the quality and ethical standards enforced on the manufacturer that deliver value and confidence to your consumer.

Some retailers are happy with their Amazon relationships; others have had to hire the sub-culture of “Amazon Mafioso” companies led by former Amazon employees who will (for a fee) rescue you when Amazon cuts you off. Test Amazon if you want, but know they can cut you off without recourse or prompt payment. Amazon should be like the icing on your cake. A little goes a long way, especially when the loyal repeat customer you want is in your backyard. **GP**

Bill would love to hear from you with questions, comments or ideas for future columns. Please contact him at wmccurry@mccurryassoc.com or (609) 688-1169.