Jungle Scout

The State of the Amazon Seller 2022

About the Report

Jungle Scout's State of the Amazon Seller Report is a study of 3,500 entrepreneurs, brands, and businesses of all sizes that have leveraged the massive global retail platform of Amazon.

This research explores the current state of selling on Amazon in 2022, including who sellers are, what and how they're selling, and how they are responding to ecommerce growth and major shifts in global economics.

By regularly analyzing the makeup of Amazon sellers — including their business models and fulfillment methods, sales and profits, motivations and challenges, and product and category trends — we can better understand the role and value Amazon's millions of third-party sellers play in an increasingly digital and connected world.

This report focuses on sellers who operate small and midsize businesses (SMBs) — Amazon sellers who earn less than \$2 million in annual revenue. While the majority of these sellers are solo entrepreneurs, many work with business partners or employees. Amazon SMBs also tend to be newer to ecommerce than businesses earning yearly revenue over \$2 million, though many have operated for 5 years or more.

Throughout the report, we'll also provide insights on other types of sellers and businesses on the Amazon platform, including larger brands owned by large enterprises or high-earning sellers, ecommerce agencies, and aspiring ecommerce entrepreneurs.

About Jungle Scout

Jungle Scout is the leading all-in-one platform for ecommerce sellers, supporting more than \$40 billion in annual Amazon revenue. Founded in 2015 as the first Amazon product research tool, Jungle Scout today features a full suite of best-in-class business management solutions and powerful market intelligence resources to help entrepreneurs and brands manage their ecommerce businesses. Jungle Scout is headquartered in Austin, Texas, and supports 10 global Amazon marketplaces.

Using the data

We encourage you to explore Jungle Scout's **State of the Amazon Seller Report**, and to share, reference, and publish the findings with attribution to "Jungle Scout" and a link to **this page**.

For more information, specific data requests, or media assets, or to reach the report's authors, please contact us at press@junglescout.com.

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Chapter 1 Selling on Amazon in 2022



Timeline of Amazon



2021: A Year of Change

7

January

Amazon enters 2021, having increased its year-over-year revenue growth by 38% in 2020.

February

Jeff Bezos announces he will step down as CEO in 2021.

March

A 200,000-ton barge gets stuck in the **Suez Canal**, blocking 12% of the world's shipping traffic for nearly a week.

April

Amazon begins suspending thousands of sellers in **China** for Terms of Service violations.

🚺 May

Amazon aggregators Perch and Thrasio raise a combined total of over \$1.5 billion in funding in the first five months of 2021.

21 June

Amazon Prime Day shifts to June 21-22, 2021; sales beat 2020's October Prime Day figures **by over 6%**.

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Andy Jassy becomes CEO of Amazon.

) August

The world's third-largest port in Ningbo, China, **goes on lockdown** for two weeks after authorities detect one COVID-19 infection among port workers. Hurricane Ida hits Louisiana, halting trade operations.

September

31% of U.S. consumers begin shopping for holiday gifts, taking advantage of early sales while avoiding product shortages.

October

Amazon Ads launches eight new advertising products, including interactive ads and Twitch integration.

November

Amazon sellers reel in revenue from Black Friday, the topperforming holiday sales event of the year for SMBs.

December

Amazon aggregators end the year with a collective \$12 billion in funding for 2021.

2022 Seller Plans & Goals

95% of Amazon sellers plan to expand their Amazon businesses in 2022.

Many sellers will focus on launching new products. 45% of sellers plan to branch out with new products unrelated to any in their existing catalogue — a vote of confidence for the continued effectiveness of product research in 2022.

Top Ways Sellers Plan to Grow Their Amazon Businesses in 2022



"I changed what I sell in 2021. So it's been a learning curve. But now I feel as if I am ready to grow. Looking to double sales at a minimum."

— Seller from Washington, USA

Optimize current product listing - 43% 2

"Slow and steady wins the race. But, I think with many other sellers jumping into the race, you need to do more research to stay competitive"

- Seller from Pennsylvania, USA

3 Expand existing brand line with new products - 43%

"[I plan to] beef up my offerings, focus on products with good margins, retire the trial products — off load these and move on."

- Seller from Illinois, USA



Ecommerce Expansion

As ecommerce continues to evolve, Amazon sellers are diversifying by joining new platforms and geographic markets. Currently, 58% of Amazon sellers also list products on at least one additional ecommerce platform — and many plan to expand to other platforms this year.

Top Global Marketplaces Where Amazon Sellers Plan to Expand



Top Alternative Ecommerce Platforms for Amazon Sellers (Currently)

- 1. eBay ebay 28% of Amazon sellers also sell here
- 2. Shopify 🛐 15%
- 3. Etsy E 13%
- 4. Facebook Marketplace 🗗 12%
- 5. Walmart.com 📩 12%

Top Alternative Ecommerce Platforms Sellers Plan to Join in 2022:

- 1. Walmart.com 📩
- 2. Shopify
- 3. eBay ebay
- 4. Facebook 🚯
- 5. Etsy ${f E}$

18%

of Amazon sellers also sell products in brick-and-mortar stores, and another 28% would consider doing so in the future.

Spotlight on Walmart.com

Though Walmart's third-party ("3P") marketplace has been open to U.S.-based sellers since 2009, interest in ecommerce entrepreneurship on Walmart.com has risen more recently. Currently, 12% of Amazon sellers also sell on Walmart.com. In 2020, Walmart opened its doors to international 3P ecommerce sellers, broadening the opportunity for success on its online platform.

Many Amazon sellers view Walmart.com as Amazon's biggest ecommerce competitor. Some regard Walmart's rising star with caution — but plenty are joining the party.

45% 31% 35% of Amazon sellers are worried about think Walmart.com competition from will compete strongly Walmart.com with Amazon in 2022. in 2022 will choose to affecting their sell on Walmart.com. Amazon business.

of Amazon sellers who plan to expand to other ecommerce platforms

Learn more about the ecommerce differences between Amazon and Walmart here.

Walmart.com Seller Profile

Business models:

- 54% sell private label on Walmart.com
- 43% sell retail arbitrage
- 35% sell wholesale

Sourcing and fulfillment:

- 84% source their Walmart.com products from China, and 38% source from the U.S.
- 40% use Walmart Fulfillment Services and 36% use FBA through multi-channel fulfillment (MCF)

Sales and marketing investments:

- **31%** say their Walmart.com business performs better on Amazon Prime Day than on Black Friday, Cyber Monday, or Walmart Deals for Days
- 19% of Walmart.com sellers use Walmart Sponsored Products ads to market their products

What Amazon sellers are saying about selling on Walmart.com vs. Amazon

"I don't think Walmart will catch up quickly, but I do hear more people talking about it as a sales channel."

- Seller from Canada

Read more about how to sell on Walmart's ecommerce marketplace here.

"Walmart is slowly growing and improving their WFS. It will be a good competition to Amazon. Sellers need to get in early."

Seller from Arizona, USA

Chapter 2 Amazon Sellers: The Basics

Who sells on Amazon? The people who make money selling products on Amazon are a diverse bunch. They include small business owners and seasoned ecommerce veterans, as well as brand managers and agencies looking to leverage Amazon's massive reach. Aspiring entrepreneurs from all over the world work hard to join their ranks.

The term "Amazon seller" is often used to refer to the third-party or "3P" sellers whose small businesses and brands generate over half of Amazon's annual ecommerce sales. There are also "first-party" or "1P" sellers who sell their products to Amazon as a vendor. Finally, there's Amazon itself.

People of all backgrounds, skill sets, and interests can find success on Amazon. In fact, data in this report represent men and women of every age from 18 to 80+, from over 100 countries.

Types of Sellers & Businesses

Types of sellers:

- First Party Seller ("1P"): Sells to Amazon as a vendor and use Vendor Central
- Third-party seller ("3P"): Sells on Amazon's platform and use Seller Central
- **Agency:** Works with sellers as a consultant or partner, helping manage their Amazon businesses

In 2022, SMB Amazon sellers are...

- 82% 3P sellers
- 21% 1P sellers
- 3% both

Profile of a Seller: Demographics

Age: The majority of Amazon sellers (57%) are between 25 and 44 years old, and more than a third (37%) are over age 45.

6%	18-24
29%	25-34
28%	35-44
21%	45-54
11%	55-64
4%	65-80
<1%	80+

Location: Just under half of Amazon sellers (47%) live in the U.S.

47%	United States
9%	Canada
6%	United Kingdom
4%	India
2%	Mexico
2%	France
2%	Pakistan
2%	Australia
2%	Germany
1%	*China

*Ranking based on survey respondents. All other countries: ~23%

Gender: Two-thirds of all sellers on Amazon identify as male, a consistent trend over the years.



Read more about different seller approaches between male and female Amazon sellers <u>here</u>. **Education:** 85% of sellers have some level of post-secondary education, whether it's an associate degree or a Ph.D.

1%	No high school/GED/secondary education
12%	High school diploma/GED/secondary education
13%	Associate degree/some post-secondary education
	43% Bachelor or equivalent
26%	Master or equivalent
3%	Doctoral or equivalent
2%	Trade/technical/vocational or other

Read more about the educational backgrounds of successful Amazon sellers <u>here</u>.

Employment



44%

of sellers work for themselves — in fact, 26% earn income through their Amazon business alone.

Nearly two-thirds of Amazon sellers (62%) work other jobs in addition to selling on Amazon, including 35% who work full-time (40+ hours per week).

Do Amazon Sellers Work Alone?

While many Amazon entrepreneurs work solo, it's common for sellers to pair up with a business partner. Many sellers have even hired employees or contractors to help run their business.

29%

work with one or more business partners



have hired one or more full-time employees



plan to hire employees or contractors in 2022

With FBA, sellers can be fully remote from their business. The majority of sellers work on FBA from home. Others prefer a change in scenery when doing Amazon work.



of sellers run their business primarily from their own homes



19%

rent or own office space

Read more about the demographics of Amazon sellers here.

How Amazon Agencies Support Sellers

Amazon agencies manage specific business tasks on behalf of their seller clients, often for a monthly fee or sales commission. Agencies can help sellers get their footing in ecommerce, grow their brand to new heights, or even sell their business to a new owner, depending on the seller's goals.

16%

of SMB sellers say working with an agency to help manage their Amazon business is a key factor in their success.

Over one-third of Amazon agencies offer full-service management, which can include tasks like account setup and keyword research, all the way up to data analytics and financial management.



Chapter 3 Business Models & Strategies

How do Amazon sellers run their businesses? Sellers use a variety of different methods to make money. Some sell popular products from existing brands, while others create their own labels and products — including some who craft their items by hand. Which business model they choose can depend on whether they already have a product to sell, their location, and their retail and ecommerce experience.

To be successful, a business model must have these two basic requirements: an effective fulfillment method and a product that can compete in one of Amazon's 20 global marketplaces.

Amazon Business Models

Private label is the most common sales model for Amazon sellers. With the private label model, the seller:

- Identifies a product with high demand and low competition
- Finds a manufacturer to produce the product (often with marketable improvements)
- Brands and promotes the product on Amazon

The private label model isn't the only viable sales model on Amazon — in fact, it can be easier for aspiring entrepreneurs to start their selling journey by taking a different route.

See more about how to sell private label products on Amazon FBA <u>here</u>.

Top Amazon Business Models



Read more about which business model is the most profitable, which is most time-consuming, and other differences **here**.

Fulfillment Methods

Amazon's complex logistics system and global order fulfillment infrastructure make it a compelling platform for ecommerce entrepreneurs.

FBA (Fulfillment by Amazon) is the most popular fulfillment method for Amazon sellers. However, many sellers choose to handle their own fulfillment, a method known as Fulfillment by Merchant (FBM).

FBA vs. FBM: What are the key differences?

Fulfillment by Amazon (FBA): A method of selling on Amazon in which a seller relies on Amazon to fulfill their orders.

The seller (or the seller's supplier) sends their product inventory to Amazon's warehouses. Amazon then stores the inventory and ships items directly to the customer upon receiving an order (often through 2-day Prime shipping). Amazon also handles customer support and the returns process.



FBA is most popular among private label sellers, while FBM is most popular among dropshippers and Handmade artisans.



FBA sellers tend to spend more than FBM sellers to launch their business, likely because the private label method can involve a greater up-front inventory investment.



With FBA, third-party Amazon sellers can leverage Amazon's network to run fully remote ecommerce businesses.

Fulfillment by Merchant (FBM): A method of selling on Amazon in which a seller lists their products on Amazon, but fulfills their own orders.

The seller manages all storage, shipping, and customer support themselves or through a third-party logistics provider (3PL). FBM sellers can still offer 1 to 2-day shipping to their customers through Seller-Fulfilled Prime.

FBM sellers tend to get up and running on Amazon more quickly than FBA sellers — likely because they don't have to wait for inventory to arrive at Amazon's warehouses to make their first sale.



FBM sellers tend to have larger product catalogues than FBA sellers.



Many FBM sellers use this method either exclusively or in combination with FBA.

Amazon Fulfillment Methods Used by Sellers: FBA vs. FBM





Did supply chain issues push more sellers to use FBM?

Amazon began restricting FBA inventory in 2020, possibly due to COVID-19-related strains on its fulfillment network. Many FBA sellers could no longer store all the inventory they needed in Amazon's fulfillment centers, and had to find a quick alternative. **From 2020 to 2021, the percentage of Amazon sellers using FBM jumped nearly 10%.** Though Amazon has updated the terms of its inventory limits, many sellers still find themselves with too much inventory for their allotted FBA storage.

In 2021, disruptions in the global supply chain affected FBA and FBM sellers alike.

To mitigate the effects of continued FBA storage limits and supply chain issues, **20% of Amazon sellers pivoted to FBM in 2021.** While FBA will likely continue to be the primary fulfillment method for Amazon sellers, FBM capacity is an important plan B.

See <u>Chapter 7</u> of this report to learn more about how supply chain issues affected sellers in 2021. 1. United States - 80%

Global Marketplaces

The U.S. marketplace receives the most visitors among all of Amazon's 20 global marketplaces. It's Amazon's oldest and most established marketplace, and sellers from around the world flock to it. Since 2002, Amazon has launched marketplaces in 19 other countries, starting with Canada. As of early 2022, its newest marketplace is in Poland, which launched in October 2021.

Sellers can simultaneously list their products in multiple global marketplaces to increase their customer reach.

Top Amazon International Marketplaces for Third-Party Sellers

32%

of sellers currently operate in more than one Amazon marketplace.

Read more about the different Amazon marketplaces <u>here</u>.



*Amazon's Egypt marketplace was not included in this survey.

Chapter 4 Trending Products & Categories

What are the most popular and profitable categories and products to sell on Amazon in 2021? 2021 brought COVID-19 vaccines, continued stimulus efforts, and recovery for some national economies and labor markets worldwide. With that came a retail rebound, as consumers grew more willing to spend on goods, travel, and experiences than they had been during 2020.

This shift was a boon to many sellers, who launched new products and saw year-over-year profit growth in 2021 — all despite serious disruptions to the supply chain caused by the pandemic.

Amazon Product Categories

You can find virtually any product on Amazon, from groceries to digital books to cars. 3P sellers tend to focus their efforts on selling tangible products — consumer staples with year-round demand. Year after year, Home & Kitchen products are the most commonly sold by 3P sellers.

When researching products to sell, Amazon sellers look for a few key characteristics: high demand and low competition, categories with minimal restrictions or requirements, durable products that will survive the delivery journey, and products that can be affordably manufactured and sourced from overseas suppliers.

Read more about top Amazon product categories, including the competition and profitability of each <u>here</u>.

Top Amazon Product Categories for SMB Sellers

- 1. Home & Kitchen 32%
- 2. Beauty & Personal Care 23%
- 3. Toys & Games 20%
- 4. Clothing, Shoes & Jewelry 18%
- 5. Health, Household & Baby Care 17%
- 6. Sports & Outdoors 16%
- 7. Arts, Crafts & Sewing 15%
- 8. Books 15%
- 9. Kitchen & Dining 14%
- 10.Baby 14% -
- 11. Electronics 14%
- 12. Tools & Home Improvement 13%
- 13. Pet Supplies 13%
- 14. Office Products 12%
- 15. Garden & Outdoor 12%
- 16. Grocery & Gourmet Food 10%
- 17. Appliances 8%
- 18. Cell Phone & Accessories 8%
- 19. Automotive Parts & Accessories 7%

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- 20. Handmade 6%
- 21. Apps & Games 6%
- 22. Industrial & Scientific 5%
- 23. Computers 5% -
- 24. Video Games 4%
- 25. Collectibles & Fine Art 4% —
- 26. CDs & Vinyl 3%
- 27. Luggage & Travel Gear 3%
- 28. Musical Instruments 2%

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Sourcing

China continues to be the leading source of imported goods to the U.S., and most private label Amazon sellers source their products from there. As more countries bolster their manufacturing capacity and overseas shipping prices shift, however, sellers are increasingly looking elsewhere for their inventory.

2021 was a uniquely difficult year for sourcing. The global supply chain — already strained due to the pandemic — underwent further disruptions throughout the year. Events like the Suez Canal blockage, flooding in Western Europe, and hurricanes in the coastal U.S. impacted freight transport capacity. Roughly three-quarters of Amazon sellers felt the effects, dealing with issues like delayed inventory orders, stockouts, and inaccessible suppliers.

Top Global Supplier Countries for Amazon Products



Read Jungle Scout's <u>Global Imports Report</u> for a comprehensive analysis of global suppliers by country and product category, and see recommendations for where to source various types of products <u>here</u>.

Product Volume

The vast majority of sellers on Amazon (88%) sell 50 or fewer products, and 19% of sellers only have one product on Amazon.

Number of Products Per Seller



Pricing

When setting prices for their products, sellers weigh the cost of producing, shipping, and marketing the product, as well as **what consumers are willing to pay** for it and how much their competitors' products cost. They use the rule of thirds: expect to spend $\frac{1}{3}$ of the price of the product on the product itself, pay $\frac{1}{3}$ on Amazon fees, and pocket the remaining $\frac{1}{3}$ as revenue.

Roughly half of the products sellers list on Amazon cost between \$11 and \$25.

Average Amazon Product Price



Read more about Amazon fees and pricing strategies here.

Chapter 5 Sales & Profitability

Amazon sellers have far greater profit margins than most other small businesses. With that said, revenue and profits in this market span a wide spectrum — the size of the business, the seller's level of experience in ecommerce, and the business model each play a role in a seller's success.

We'll explore sales performance and profitability among both SMB sellers and their higher-earning counterparts — large brands and highly successful sellers who earn millions of dollars in revenue each year.

So, how much money can sellers expect to make through their Amazon businesses, how quickly can they expect to be profitable, and what makes a million-dollar seller?

Sales

When it comes to sales earnings, many small businesses on Amazon go above and beyond a typical side hustle. 22% of SMB sellers make over \$10,000 in average monthly sales.

Average Monthly Sales



Revenue and sales tend to increase with years of experience on Amazon. For example, while just 25% of new sellers (those with 2 or fewer years in business on Amazon) are earning over \$100,000 in annual ecommerce revenue, that figure rises to 60% for experienced sellers (those with 3+ years in business).

Many large brands and highly successful sellers on Amazon earn well into the millions of dollars in annual revenue and lifetime sales. Comparing SMB sales performance to that of enterprise sellers and brands reveals how lucrative selling on Amazon can be for businesses that grow and scale.

Annual Amazon Sales



More than 33% \$50,000,000 \bigcirc \$2,000,001-\$5,000,000 Enterprise 23% \$10,000,001-\$50,000,000 27% \bigcirc \$5,000,001-\$10,000,000

Lifetime Amazon Sales to Date

SMB

Under \$25,000	43%
\$25,000 - \$50,000	111111111111111111111111111111111111111
\$50,001 - \$100,000	10%
\$100,001 - \$500,000	14%
\$500,001 - \$1,000,000	6%
\$1,000,001 - \$5,000,000	7%
\$5,000,001 - \$10,000,000	2%
\$10,000,001 - \$50,000,000	1
Don't know	7%

Enterprise

Do

Under \$100,000	2%
\$100,000 - \$500,000	2%
\$500,001 - \$1,000,000	7%
\$1,000,001 - \$5,000,000	10%
\$5,000,001 - \$50,000,000	23%
\$50,000,001 - \$100,000,000	19%
\$100,000,001 - \$500,000,000	11%
More than \$500,000,000	5%
on't know/Decline to answer	23%

Profits

Amazon sellers see relatively high profit margins compared to other small businesses. In 2022, two-thirds of sellers (66%) earn profit margins higher than 10%, and nearly one-third (32%) earn profit margins above 20%.

One in five SMBs have reached lifetime profits of more than \$50,000. When "lifetime" really means a couple of years of part-time work on a side hustle, those are pretty great returns.

And the earning potential doesn't end there. 14% of SMB sellers have broken into six-figure earnings, with \$100,000 or more in profits generated solely from their Amazon business. Many enterprise-level brands now making millions of dollars of profit started out as one-person private label Amazon businesses.

SMB 65% have profit margins over 10% Don't ~1-5% 6-10% 11-15% 16-20% 21-25% 51-Not 100% profitable know yet 9% 15% 18% 13% 10% 16% 3% 8% 8% 1-5% 6-10% 11-15% 16-20% 21-25% 26-50% 51-Don't know/Decline to answer 100% 14% **4% 11%** 14% 11% 15% 3% 28% *Refers to net profit margin before tax. 57% have profit margins over 10% Enterprise

Profit Margin

Lifetime Profits

SMB

Under \$5,000		32%
\$5,000 - \$10,000	14%	
\$10,001 - \$25,000	12%	
\$25,001 - \$50,000	7%	
\$50,001 - \$100,000	7%	
\$100,001 - \$500,000	9%	
\$500,001 - \$1,000,000	3%	14% have lifetime
\$1,000,001 - \$5,000,000	1%	profits over \$100,000
\$5,000,001 - \$10,000,000	1%	
Not yet profitable	6%	
Don't know	9%	
Enterprise		
Under \$100,000	2%	
\$100,001 - \$500,000	5%	

\$500,001 - \$1,000,000	7%	
\$1,000,001 - \$5,000,000		24%
\$5,000,001 - \$50,000,000	10%	54%
\$50,000,001 - \$100,000,000	13%	have lifetime profits over
\$100,000,001 - \$500,000,000	4%	\$1,000,000
More than \$500,000,000	3%	
My company is not profitable	 <1%	
Don't know/Decline to answer		30%

Read more about how much money Amazon sellers make here.



Million-Dollar Amazon Sellers: How They Compare to the Average SMB

- · Million-dollar sellers are launching more products: 63% have over 100 active product listings, versus just 7% of SMB sellers.
- 81% of millionaire sellers have diversified their business by launching multiple brands.
- · Compared to SMBs, million-dollar earners are much more likely to invest in marketing through search engine ads and social media.
- Million-dollar earners invest more in marketing and advertising for their ecommerce products. For instance, 80% of millionaire sellers run ads on ecommerce platforms, including Amazon PPC, versus 63% of SMB sellers. The high earners are also much more likely to leverage Google Ads and social media marketing.
- 63% of Amazon sellers and brands earning yearly revenue in the millions have sold on Amazon for 5 years or more.

Learn more about million-dollar Amazon sellers here.

Chapter 6

What It Takes to Sell on Amazon

There's no one way to be successful on Amazon. That said, time and motivation are essential to any business venture, and some Amazon business models require a greater investment than others. 60% of sellers agree: selling on Amazon is not a "get rich quick" tactic.

It's normal for it to take a few tries before an Amazon seller hits their stride with ecommerce. In fact, while 52% of sellers were able to turn a profit with their first product launch, others weren't successful until their second or third product launch.

As with anything else, it takes research and experience to become an expert Amazon seller. Fortunately, it's possible to start selling on Amazon with a small up-front investment.

Read more about how to start selling on Amazon with little to no money here.

Time

It takes time to learn what makes a great product opportunity, what customers want, and how to manage ecommerce logistics. FBA provides a sweet shortcut for much of that, but all sellers still need to maintain their business's performance, inventory, advertising, and competitive edge.

Most sellers have been able to get a fully functioning business set up on Amazon within just 3 months, and most can manage their business with fewer than 20 hours per week.



Time Sellers Spend Each Week on Their Amazon Business

28%

Money Sellers Spend to Start a Business on Amazon

Money

Most sellers make some kind of up-front investment to start their Amazon business. This can include the cost of products, Amazon's storage and seller fees, and advertising.

The majority of sellers (69%) spend less than \$5,000 to start their business on Amazon — and 32% spend less than \$1,000.

Most sellers are "bootstrappers" — they funded their business with their own cash. 22% borrowed money from banks, family, or other lenders. Some people used COVID-19-related government stimulus payments for their Amazon launch fund.

Fortunately on Amazon, the payoff is high; 63% of sellers are profitable within a year of launching their business.



Funding Sources



Other answers include using income from an existing business, home equity loans, or digging into their pensions.

Time It Takes to Turn a Profit



Marketing Investments

Competing on Amazon isn't just about producing a high-quality product that meets consumer demand. Sellers also have to make sure their products get in front of potential customers — and these days, many do so through paid advertising.

In fact, 79% of Amazon SMB sellers advertise their products on or off Amazon. Amazon's pay-per-click (PPC) advertising options are popular, as are, increasingly, social media channels.

Top Channels Where Amazon Sellers Market Their Products

63% Ecommerce platforms	36% Social Media	23% Search engines
Of those:	Of those:	Of those:
77% Amazon Pay-per-click (PPC) ads Sponsored Products	72% Facebook ads	95% Google Ads
39% Amazon Pay-per-click (PPC) ads Sponsored Brands	55% Instagram ads 19% TikTok ads	9% Bing ads
30% Amazon Pay-per-click (PPC) ads Sponsored Display	17% Pinterest ads	۲
23% Amazon A+ Content	15% YouTube ads	
13% Amazon Video Ads		

In terms of marketing, digital takes the lion's share: only 4% of sellers market their products with traditional media, such as through TV commercials, print ads, and appearances at trade shows.

Advertising Spend

How much do sellers spend to advertise their Amazon products?

Currently, the vast majority of sellers spend anywhere from \$0 to \$2,500 on monthly advertising costs across all platforms — Amazon PPC, search engines, social media, and traditional media.

Roughly half of those who use Amazon PPC and other Amazon marketing products spend less than \$500 per month on Amazon marketing investments.

Average monthly advertising spend across all platforms



Average monthly advertising spend on Amazon



Rising advertising costs present a troubling issue for sellers in 2022.

59% of sellers say increasing ad costs are a major concern for them.

46% find it challenging to manage their advertising strategy and budget.

32% plan to spend more money on advertising in 2022.

Learn more about how Amazon sellers advertise their products here.

Motivation & Success Factors

Selling on Amazon offers the opportunity of flexible work hours, a dream career, and life-changing financial security.

Amazon's third-party sellers are primarily made of those who:

Top Amazon Seller Motivations

	II 49 %	To be my own boss
	47% Fle	xibility to work anywhere/travel
39%		To feel successful/accomplished
38%	Extra inco	ome (on top of existing income)
34%	New inco	me (to replace current income)
29%		A challenge
23%		Professional achievement
22%		To sell a business to an investor
19%	New inco	ome (had little/no prior income)
111111111111111111111111111111111111111	Jol	o change (disliked previous job)
111111111111111111111111111111111111111		A hobby
9%	A new sales cl	hannel for my existing business

Top Uses of Amazon Income:

- 1. To support family, including dependents 66%
- 2. To support themselves 46%
- 3. To build a nest egg or savings fund for the future 40%
- 4. To be able to quit other job(s) 36%
- 5. To pay for luxury/extraneous expenses or travel 33%
- 6. To reinvest in their business 31%
- 7. To retire early 30%
- 8. To pay off debt 24%

Top Factors That Make a Successful Amazon Seller

- 1. Being motivated to make money 89%
- 2. Having exceptional drive and ambition 80%
- 3. Being passionate about the product/brand/industry 73%
- 4. Having the necessary tools and information 72%
- 5. Successfully innovating or differentiating a product to meet market needs 65%
- 6. Having money to invest 58%
- 7. Having crafted or created a product to sell 52%
- 8. Having relevant ecommerce experience 51%
- 9. Having a pre-existing market or audience for products 40%
- 10. Having entered a product niche at the right time to be competitive 38%

Aspiring Sellers

To people who want to make extra cash, start their own business, and work for themselves, selling on Amazon is an enticing and encouraging means. Many aspiring sellers, however, struggle to get their businesses off the ground. Whether due to problems any entrepreneur faces during their first efforts — like having the time and know-how to get started — or larger economic issues, over half of aspiring sellers say they've felt "stuck" on their path to launch.



Why do aspiring entrepreneurs want to sell on Amazon?

"I will have been at the same job for 28 years and when I retire in 7 years I want to have a business with the flexibility to work anywhere."

- Aspiring seller from Canada

"To create a baseline for generational wealth."

- Aspiring seller from New York, USA

"I know I will be successful at it because there is passion for it in me."

— Aspiring seller from Nigeria

"It's the new way of doing business."

— Aspiring seller from Canada

"To prove myself and to have something of my own."

- Aspiring seller from Mexico

What do aspiring sellers believe will make them successful on Amazon?

- 1. Being motivated to make money
- 2. Having sufficient time to commit to their business
- 3. Having exceptional drive and ambition
- 4. Being passionate about their product idea or brand
- 5. Having the right tools and information to guide them

Former Sellers

Sellers who owned businesses in the past share what challenges they faced, and why they stopped selling on Amazon.



What did former sellers find difficult about selling on Amazon?

"The time for things to ship over sea, and when some of my boxes were squashed."

— Former seller from Utah, USA

"Dealing with the customers' negative reviews on different marketplaces. For example: an English customer liked my product, but the German one didn't."

— Former seller from Italy

What former sellers wish they had known before selling online

- "You need to reinvest your earnings and keep buying inventory"
- Former seller from Portugal

"How to prepare for all the taxes, licenses, etc."

— Former seller from California, USA

"Don't sell anything with a battery, [with] switches and [that's] hard to install."

— Former seller from Australia

Chapter 7 Challenges

Ecommerce is a rapidly-changing industry, and Amazon moves just as quickly to keep up. Sellers don't always benefit from these shifts. In some cases — as with the COVID-19 pandemic and 2021's many supply chain disruptions — they run up against significant new challenges that test their mettle as well as their business model.

Impact of Supply Chain Issues

Three-quarters (74%) of Amazon sellers experienced some form of disruption due to supply chain issues that shook the global economy in 2021. From disastrous weather events to logistics labor shortages to port congestion, sellers faced serious problems that sometimes resulted in thousands of dollars in lost sales.

Nearly half of sellers dealt with delayed inventory orders in 2021, most often when they sourced products from China. 27% found themselves unable to order new inventory at all at some point last year.



*Percentages reflect responses from the 74% of sellers affected by supply chain issues in 2021.

To prevent and remedy these issues, 67% of sellers took action.

How Sellers Addressed Supply Chain Issues



1. Launched new products

4. Discontinued a product

2. Reduced PPC bids to slow down sales



5. Rented more inventory storage space







"Shipping from China became exorbitantly expensive so prices have had to go up."

- Seller from New York, USA

"Increased costs and staffing issues at freight companies resulted in missed deadlines for customs clearance — goods returned to China, and extra costs involved in reshipping."

— Seller from Ireland

"I lost my supplier and couldn't sell what I had in storage. I had to donate it."

- Seller from California, USA

Did supply chain issues affect seller profits in 2021?

Many sellers performed remarkably well last year, despite all the issues — and damages — they withstood. Among sellers with at least one year in business on Amazon, 60% said their profits either increased or stayed the same in 2021 compared to 2020.

45% of sellers say their profits increased in 2021

28%

15%

12%

don't know

decreased in 2021

stayed relatively the same as in 2020

of sellers say their profits of sellers say their profits • Ô

Common Seller Challenges

Building an Amazon business challenges sellers in similar ways. All new Amazon entrepreneurs have to start somewhere, and they'll meet many of the same obstacles as they progress through their selling journeys. Whether you're selling as a solo entrepreneur or on a team, developing the discipline to work through difficult tasks is essential to building expert seller skills.

Top Amazon Seller Challenges

	57% Getting customer reviews
47 %	Finding a product to sell
46%	Managing advertising strategy and budget, including Pay-per-Click (PPC) bids
40%	Protecting their business from black hat tactics, counterfeiters, and other risks
37%	Conducting market/opportunity research for current or potential products
36%	Finding a supplier for a product they want to sell
34%	Finding relevant and high-quality keywords for their products
33%	Importing products
31%	Optimizing product listings
30%	Branding their business/products

The amount of sellers who say importing products is a challenge rose 34% in the past year.

Sellers discuss their biggest challenges

"I keep my products at home so it can be stressful when you never seem to get away from work."

— Seller from Kansas, USA

"[Selling] can be lonely if you don't network with other sellers."

- Seller from Arizona, USA

"Being discovered as a new brand takes time."

- Seller from California, USA

Read more about how to grow a business on Amazon here.

Working with Amazon

The overwhelming majority of Amazon sellers (90%) plan to continue selling in 2022. They know that ecommerce will only keep growing, and that customers consistently look to Amazon when shopping online.

82%

72% of sellers feel that Amazon is a good company for the business owners that use its platform.

are optimistic that selling on Amazon will be a viable way to make money online in the future.

That's not to say that sellers have no issues working with Amazon. More than half have major concerns about what they perceive as the rising cost of doing business on Amazon, whether due to increased competition, difficulties sourcing inventory, or keeping up with advertising demands.

Increased Competition

- 59% are concerned about increased competition driving prices down
- 45% are concerned about overseas suppliers selling their/similar products at lower costs
- 45% think Walmart's online business will be strong competition for Amazon in 2022, and 35% are worried about that competition affecting their Amazon business

Rising Costs and Fees

- 64% of sellers say rising shipping costs for inventory and order fulfillment are areas of major concern
- **59%** are concerned about increasing ad costs on Amazon
- 51% are concerned about continuing to need more capital to sell effectively on Amazon

Competing with Amazon

- 69% are concerned about Amazon limiting or shutting down their account or listings seemingly abruptly or without reason
- 67% are concerned about Amazon changing search results to favor paid results over organic results
- 61% are concerned about Amazon's policy and Terms of Service changes negatively affecting their business

Chapter 8 Methodology

Between December 1, 2021 - January 3, 2022, Jungle Scout surveyed 3,500 Amazon sellers, including prospective and former sellers. Respondents represent 117 countries, all 20 Amazon marketplaces, and all relevant Amazon product categories. They are ages from 18 to 80+, as well as all genders and levels of education.

This report focuses on small business owners who have at least one live product listing on Amazon. 2022 report data reflects 676 active first- and third-party Amazon sellers earning \$2 million or less in annual ecommerce revenue. 2021 report data reflects 989 Amazon sellers who have more than one year of selling experience and may earn annual revenue of over \$2 million.

Also included in the analysis for this report were sellers and brands earning over \$2 million in annual revenue, respondents representing agencies that offer services to Amazon sellers and their businesses, sellers who are looking to launch a business on Amazon but have not yet started, and respondents who previously sold on Amazon.

Respondents represent sellers' stated perspectives and are not meant to indicate or predict actual future seller behavior. The survey was conducted in English only.