# **Jungle Scout**

How to Sell on Amazon | Chapter 4

# What to Sell on Amazon: Finding a Profitable Product



### **Chapter 4**

# What to Sell on **Amazon: Finding a Profitable Product**

What product should you sell on Amazon? How do you know if consumers will buy it? How do you know how to price it so you make a profit? We'll cover all these questions and more, and we'll show you exactly how to search for winning product ideas.

### First, a few best practices that will help you enormously in your product research quest:

- · Let data guide you, rather than picking a product to sell simply because it's something you like. Trust us on this. (And if you do have an idea of what to sell, you can validate that with data on how similar products are performing on Amazon.)
- · Don't rush it. Product research is essential preparation that requires some time and analysis to be successful.
- · Use a tool, like <u>Jungle Scout</u>, that can mine massive amounts of Amazon data to find a product with the trifecta of high demand, low competition, and positive profitability. We'll show you how.

### **Seller Tip:**

"Don't get too bogged down in the details. Focus on the heavyhitting metrics like monthly revenue and search volume, competitor review counts, and estimated net profit. Keeping your product research simple will help you filter out 90% of product ideas quickly. The goal is to find your first product fast. Don't let "analysis paralysis" claim another victim!"

- Jon Elder, Black Label Advisor

# How to find a profitable, high-demand, low-competition product to sell on Amazon

For all products you're considering, analyze them for profitability, demand, and competition. We'll break down how to assess those important factors.

### 1. Profitability

Of course, you want to make sure you can earn a profit on the products you sell. So for every product you're evaluating, ask yourself: can I source and ship this to Amazon for substantially less than it's selling for?

To find out, you can generally consider the "3X rule" or "rule of 3's." Assume that each product's sale is broken up into 1/3 for fees, 1/3 in landed costs, and 1/3 for you. (So, if the product sells for \$30, you should expect to profit \$10.)



Here's a breakdown of how you can calculate potential profitability by assessing costs and revenue for each product opportunity.

### Costs:

Landed costs: The collective costs to produce and transport your product to Amazon's warehouses

- Cost of inventory
- · Any preparation or inspection fees
- · Shipping (not typically included in cost of inventory because costs vary depending on whether you ship via air or sea methods)
- · Duties (these will vary based on where you're ordering from and where you're shipping to, and they may change over time)
- Promotional costs such as packaging and advertising

### **Amazon fees:**

- · Referral fee: Essentially Amazon's "commission" for each item you sell on the platform, this is typically a flat 15% which you pay when a product sells
- · Selling plan fees:
  - For professional Amazon sellers: A monthly fee of \$39.99
  - For individual Amazon sellers (those who typically sell 40 units or fewer per month): \$0.99 per sales transaction (but no monthly fee)
- Fulfillment fee: For FBA sellers, this per-product fee covers Amazon's cost for packaging and shipping products, and it varies based on weight and dimensions of your product and what marketplace you're selling in

### Storage fees:

- o Monthly storage fee: Inventory fees based on the daily average volume (measured in cubic feet) for the space your inventory occupies in fulfillment centers (\*Note that fees increase October through December for the holiday season)
- Aged inventory surcharge: Previously called long-term storage fees, Amazon will charge \$1.50 per cubic foot for units that have been stored in a fulfillment center for 271 to 365 days; for inventory that has been in a fulfillment center for more than 365 days, you will be charged \$6.90 per cubic foot or \$0.15 per unit, whichever is greater
- · Refund administration fee: If your customer requests a refund, you pay either a flat \$5 or 20% of the refunded charge, whichever is less
- · Removal order fee: If you need to have excess FBA inventory returned to you, the fee, which includes packing and shipping, will be based on unit shipping weight; for example, a unit that weighs 0 to 0.5 lbs, will be charged \$0.52 per unit

### Revenue:

Of course your take of any sale will depend on how much you can buy the product for, and what fees come out along the way.

As a general rule, you want the product to sell for \$20-\$70 to allow for healthy profit margins. Below \$20, profit margins are minimal and possibly not worth your effort. These are also typically the types of products that become oversaturated quickly because they are so inexpensive to source. On the other hand, if you price your products above \$70, know that customers may be unwilling to spend higher amounts on a brand they don't recognize.

Simply calculate your profits by subtracting fees and costs from your potential revenue.

We also recommend using Amazon's Free FBA Fee Calculator to find out exactly what Amazon's fees would be for a certain product. Simply plug in an ASIN that is similar in weight and dimensions to your product, the selling price, and your cost, and it will break down all of the selling fees and profit.

### **Seller Tip:**

"These numbers are more guidelines than rules! If you found a product that would sell for \$100, but you could source it for \$6 (if you find that, please let me know!) then go for it! All the 'rules' can be bent or broken once you factor in all the variants."

- Lenny Smith, FBA Expert, **Jungle Scout** 

### 2. Demand

The key component of a good product to sell on Amazon is demand. Do people want this product? Are they looking for it or is there a need or pain point this product could solve? We use data to answer these questions.

The key metric that helps us determine demand on Amazon is sales.

### 3. Competition

Next, we want to evaluate the competition by determining how many similar products exist and whether there is opportunity in the market for a newcomer.

The key metrics that help determine competition are the number of products and the number of quality reviews and ratings they have. In other words, are the products already listed on Amazon any good?



## Start your product research

To demonstrate best practices in product research, we'll show you how to create and narrow down a list of product ideas based on the main criteria above: profitability, demand, and competition.

We'll use Jungle Scout's Extension, Product Database, and Product Tracker features (all part of the Jungle Scout platform) to make sure our decisions are based on data and have the greatest potential.

### Search Amazon's product database

Using Jungle Scout's Product Database, you can explore Amazon's entire catalog (hundreds of millions of products), easily searching products based on specific filters to narrow down your product ideas.

### Filters:



Price (for profitability): Aim for \$20-70



Sales (for demand): Aim for at least 300 units per month (~10 sales per day)



Number of reviews (for competition): We want to make sure that the top 10 products have an average of 500 reviews or fewer, and ideally, 3 to 5 of them have fewer than 50 reviews

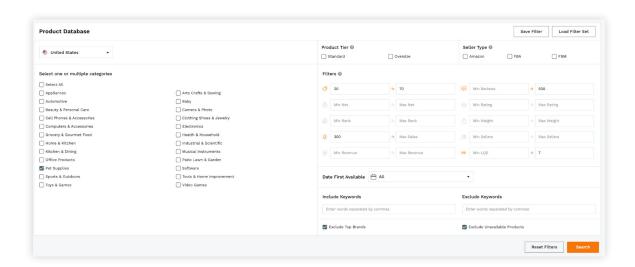


Rating: Find products with low star ratings, aiming for a maximum of 4 stars (these will give you the opportunity to improve products and beat the competition)

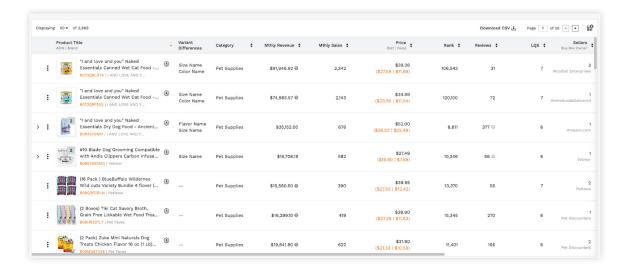


Listing Quality Score, or LQS: Find products with listings that have room for improvements, aiming for a maximum of 5 to 7 LQS

Say you want to explore product opportunities in the Pet Supplies category. Select that category and then start adding your filters.



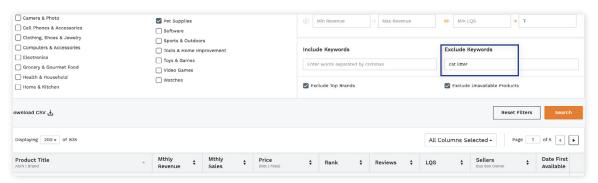
After you have entered your criteria, hit search.



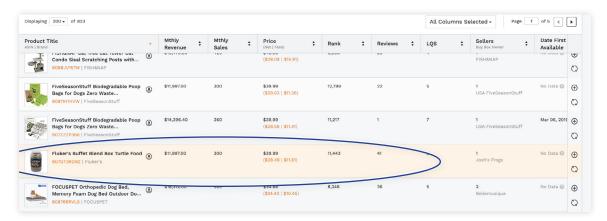
As you can see, our search yielded over 2,000 results. Now it's time to review some products.

As you scroll through the results, you may sometimes see products that you're not interested in. In the Product Database, you can add keywords you would like excluded from your search. For this example, let's say that we don't want cat litter because we know that it is a heavy product and will be expensive to ship.

Add the keyword "cat litter" to the Exclude Keywords section, which will help narrow down your product research to fewer and more relevant products.



Continuing our search, we come across a product that exceeds all our criteria: 4-star rating, low listing quality score (LQS), and fewer than 50 reviews, but still sells over 300 times per month.



\*Note that your results may look different when you're using Jungle Scout's Product Database as new sales, reviews, revenue, and other data change constantly. This is a great reason to check out product data over time. We'll discuss this further below.

After briefly looking at the listing itself (which we can click to directly from Jungle Scout), we already see several ways to make a new listing even better.

Based on this information, we would continue to do more research into this niche.

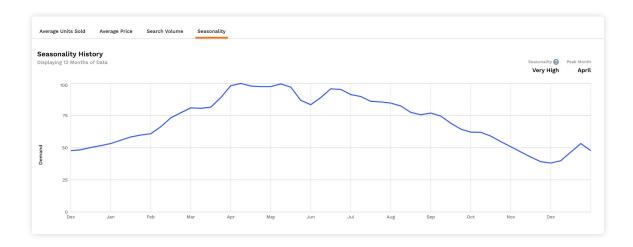
### Other factors you'll want to evaluate should include:

- · Size and weight of the product
  - Try to find a product that falls within the standard product size. When fully packaged, the product should weigh no more than 20 lbs. and not exceed:
    - 18 inches on its longest side
    - 14 inches on its median side
    - 8 inches on its shortest side

- You will also be able to see whether a product is standard size in the Product Database results, and you can filter your search results by Standard or Oversize product tier.
- o If you find a product that is considered oversized, keep in mind your FBA fees will be higher and will take up more storage space within Amazon's warehouses.
- Ease of sourcing/manufacturing the product
  - For your first product, you want something that is going to be easier to source and manufacture — something that won't require too much modification or be too heavy for standard shipping.
  - Once you have some Amazon selling experience, you can easily venture into more difficult product opportunities.

### · Seasonality

- o Aim for a product that is in demand year-round. Try to avoid seasonal products at first as they're only in demand for a short period of time, whether it's the end-of-year holidays, summer, back-to-school, or a different seasonality range.
- Use Jungle Scout's Opportunity Finder to see up to two years of sales data to evaluate if your product niche is seasonal or not.



### Marketability

- Think about how you're going to market your product. Take a look at the best-selling products in your niche and figure out how you can make improvements to your listings so your product stands out.
- You may want to think about whether or how you can build a brand around this product (and similar products that might be good opportunities in this niche), or you may want to focus on one product. Either way, if you can create better images, infographics, more informative bullet points, etc., you have a much stronger chance to compete.

### · Uniqueness

- Your goal is to differentiate and improve your product and provide something unique to the market, so try not to sell the exact same product as your competitors.
- If the market is already dominated by an existing product or brand, you won't be able to compete if your product doesn't offer anything new or unique. The existing product or brand will have the benefit of reviews and sales momentum that would take you time to earn.

### **Seller Tip:**

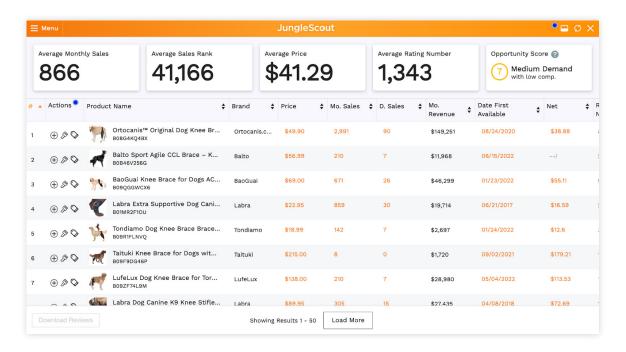
"As a private label seller, I like seeing products that give me at least 300% ROI when I plug the cost of goods and shipping cost into the profitability calculator. I also think about different price points. In my case, it goes down to being about 150% ROI after all the expenses, yearly. Also, I want to think of faster sales. So lower ROI and faster sales might be a great option too."

- Vova Even, VovaEven.com

### Research products while browsing Amazon

You can also do product research directly within Amazon.com with Jungle Scout. Simply click the Chrome Extension and you'll be able to view product data including Best Seller Rank, average price, average monthly sales, a custom Opportunity Score, and more. You can also click to track products from here, which is a key step in evaluating a product's potential.

For this example within the Pet Supplies category, we searched "acl brace for dog" on



Extension gives you a quick overview of the niche you are currently researching. Here, it tells us right away that this product has an Opportunity Score of 7, meaning it has high demand with low competition. (10 is the highest Opportunity Score, but remember that we suggest looking in the 5-7 score range for a competitive product.)

In a matter of seconds, we were able to figure out if this would be a good niche to do more research on.

### Track products over time to narrow your list

We recommend tracking as many listings as possible on the first page of the search results for a given product keyword for at least 2-4 weeks to monitor performance over time.

This isn't necessarily to track for seasonality, which you can see more easily through search volume trends, but to ensure a product's sales are not temporarily inflated due to promotions a seller may be running or other random factors.

Within Jungle Scout's Product Tracker, you'll see historical sales over time for all listings. You can change the view to the past 60 days, number of units sold per day, price, inventory levels, review count, and more.



### Find improvement potential

Your goal is to find a product opportunity with proven demand and profitability — but one in which you can compete. To do this, you'll need to make your product better or different enough to appeal to buyers looking for unique features. There's no need to reinvent the wheel, just differentiate yourself enough to stand out. (You'll work with a supplier who will take care of all these changes for you — more on that below.)

Find improvement ideas by examining the reviews and the "Customer Questions & Answers" section of existing product listings. What do customers like or dislike about it? Consider all factors including color, material, size, usability, functionality, packaging, etc.

If you're serious about a product, buy the competing products to learn first-hand about any potential pain points you could improve upon. Take notes (you can even save notes in Product Tracker).

### Check for IP or other legal concerns

Selling products on Amazon means you're creating a real business, and no doubt there are boxes to check and rules to follow, particularly when it comes to intellectual property (IP). Amazon cracks down on "black hat" behavior such as counterfeit products and trademark infringement, so do the necessary research ahead of time to make sure you find products that you have the right to produce and sell.

### 1. Patents

The most important thing to check when evaluating a product you want to replicate is whether there are any existing patents on it. You cannot sell something that is patented as it means someone else owns the rights to the design, the way it functions, or another fundamental quality of the product.

How do you know if there is a patent on a product? The only way you can know for sure is by hiring a lawyer, but here are some basic steps you can take on your own:

- · Google "patent" + [your product idea].
- · Check listings on Amazon for that product and see if they mention anything regarding a patent.
- · Check if there are many other people selling a similar product. If there are, it's unlikely the product is patented as patent holders typically enforce their patents.
- Purchase a similar or competing product and look for any patent/patentpending marks on the packaging or item itself.

### 2. Trademarks

A trademark is a symbol, word, or group of words that a company legally registers or establishes use of to present their brand or product.

You can't put another company's trademark on your product. For example, if you are selling a private label shoe, you cannot use the name "Nike" or Nike's logo.

Generally, you cannot sell counterfeit products. Not only is it against Amazon's Terms of Service and will get you suspended as a seller, but it is against the law.

Before settling on a brand name, logo, or slogan for your Amazon business or a particular product, you should conduct a <u>Trademark check</u> with the United States Patent and Trademark Office (USPTO).

### 3. Other restrictions and liabilities

Research whether Amazon has any restrictions or necessary certifications you need to have for a product or product category. For example, there are certain subcategories within Toys & Games in which you need a Children's Product Certificate (CPC) to sell. Or if you are selling a product that is considered a pesticide, Amazon requires you to take a training course.

A good way to check if you are gated in a specific category or subcategory is by creating a new product listing in Seller Central, and as you select through the subcategory level, Amazon will let you know if it is gated.

(You can check out Amazon's help page regarding restricted products or our article on restricted categories.)

Also consider if someone could easily get hurt or sick using your product. If so, and if you're deemed liable, the individual could sue you for damages. Examples of products with greater chance of liabilities are: electronics, topical skin and ingestible products (including cosmetics, lotions, and dietary supplements), some toys and outdoor games (swings), and other obviously dangerous products (those that are flammable, sharp, etc.).

Disclaimer: We are not lawyers, so be sure to seek legal counsel for any specific questions or concerns you may have.



Do you need business insurance? All professional Amazon sellers must have a business insurance policy with at least \$1 million in commercial general liability insurance coverage that protects them (and Amazon) in the event that someone decides to sue them (if they get hurt or sick using your product, for example). According to Amazon's business agreement, sellers also need product liability insurance if their sales exceed \$10,000 in one month.

Read more about <u>Amazon's insurance requirements</u>.

### Consider ease and practicality of sourcing

Especially for your first product, you want to find something that is going to be rather simple to produce and ship. Keep these variables in mind when narrowing down your product ideas:



### Sourcing

Look for a product that will require simple changes — this means you'll have fewer details to work out with a supplier and will have more supplier options. Try to avoid products with multiple moving parts, and if there are multiple components, it's better if they are of similar materials, so it's more likely the components can be sourced from one factory.



### Shipping

Smaller, lighter products are easier to ship, and you want sturdy materials to survive the shipping process. You don't want a product that is easily broken as your primary means of getting it to your customer is shipping through FBA. Make sure your supplier provides the proper protection for your products and packaging.



### **Importing**

Every country has certain regulations on what you can and can't import. You can work with a freight forwarder for free for information regarding importing any unconventional products before you place your order (more on this below).



Tip: Your product idea doesn't have to meet all the criteria mentioned. As long as you let the data guide or validate a product idea, it's important to keep your momentum. Don't get stuck in analysis paralysis. Start getting samples of products and continue powering through the process!

So, how do you find someone to make your product?

Check out the next chapter to find out!

# Let's get you started on **Amazon FBA!**

Amazon FBA changed my life, and I hope it can help you change yours, too. Whether you're looking for financial freedom, a 4-hour work week, to expand your brand, or to create something that's your own, we want to help you succeed.

At Jungle Scout, we provide tools that are powerful but easy to use, the most accurate data, and the best possible support to help you at every step of your journey.

Don't forget to check out our **Resources Page** (bookmark it now!) and follow Jungle Scout on social media to see more tips and info that the team and I continue to share to keep you on top of your Amazon game.

And as always, if you have any questions, don't hesitate to reach out: gmercer@junglescout.com.











# **About Jungle Scout**

Jungle Scout is the leading all-in-one platform for selling on Amazon. Founded in 2015 as the first Amazon product research tool, today Jungle Scout features a full suite of best-in-class business management solutions and powerful market intelligence resources to help entrepreneurs and brands manage their Amazon businesses.

Explore all of Jungle Scout's included capabilities:

















**Get started with Jungle Scout today!**