FBA in Action: Iron Chick’s Toys

For Beth Terry, selling toys online started as a way to make a few extra bucks. Since she began back in 2004, her hobby has grown into a thriving business. Fulfillment by Amazon has helped her expand her business while still enabling her to maintain control of growth and expenses.

Beth began selling toys through online auctions in 2004. She soon found that she had a knack for identifying the most popular toys and establishing prices that brought in the sales. She had a simple formula for growth: the more toys she sold, the more she could sell. In 2006, she took a big step encouraged by the advice of friends and family. She formalized the business and gave it a name: Iron Chick’s Toys. By the holidays, she had her company up and running. The orders came in droves, and in very little time she found it necessary to hire subcontractors to keep up with the orders. But even with two full-time subcontractors and a handful of temporary part-time subcontractors, she was having a tough time keeping up with sales. Iron Chick was ready to hatch. Success came with a price. Beth’s simple formula was growing complex. To keep up with demand, Beth would need to rent or buy a warehouse, establish a fulfillment process, hire people to fulfill orders and hire someone to manage the people and the process. But to make such an investment would eat up any profit she was making selling toys. Iron Chick had a healthy appetite and Beth wasn’t sure she was able to keep it well fed.

Beth had been selling in the Amazon Marketplace since 2006. In March of 2007, she became a merchant on Seller Central. Two months later she learned about FBA; she knew that FBA would be her solution. Here was a formula that made fulfillment a breeze. “It just makes sense,” says Beth. “It’s a lot easier to send one box of 70 items to Amazon than 50 boxes to individual buyers.” Beth signed up immediately.

Now Beth has a world-class fulfillment center working for her. Iron Chick’s Toys continues to grow. Whether selling through Amazon.com’s online catalog or through her own Web site, Beth knows that her customers are going to have their orders fulfilled accurately and on time. Basic Fulfillment has opened new doors for Iron Chick’s Toys. It enables Beth to maintain an independent Web site branded with her company’s logo and offer toys for sale without going through Amazon.com. “We have a lot of loyal customers who head to our Web site

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Iron Chick has had success with Webkinz. In addition to being popular toys, they are small and lightweight; a great combination for FBA.

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—Beth Terry
first when looking for toys,” says Beth. “And the process for creating a Basic Fulfillment order is very easy. I anticipate using it more in the future.” One of Beth’s most popular product lines is Webkinz stuffed animals. She has 28 different Webkinz listed on Amazon.com and half of them make up half of her bestseller list. In addition to being popular toys, they are small and lightweight; a great combination for FBA. Beth hopes that these collectible toys will continue to grow in popularity.

In general, sales have increased at least 25 percent month over month since Iron Chick’s Toys opened for business in May 2007. A quick look at weekly sales shows a steady rise with sales approaching an average of $900 a day.

Beth did have some reservations when she started with FBA. She knew she would be paying Amazon for storing any inventory that didn’t sell. She wasn’t sure just how much storage would cost. When the charge came in, she was pleasantly surprised. “At the end of July, I had more than 1,000 toys in inventory with FBA,” says Beth. “My storage fee was about $30 for the month. I couldn’t rent storage for $30 a month.” Even with increased inventory in August, Beth has still kept her storage fee below $60.

One distinct advantage Beth has found from using FBA is that her products are eligible for free Super Saver Shipping and Prime shipping. “I can actually raise the price of my products to cover the shipping fees and still beat many of my competitors,” says Beth.

On reflection, Beth looks back on her first holiday season. “I don’t miss the 12- to 15-hour days all of us were putting in to keep up with the orders,” says Beth. “Over the next few months we’ll build on our inventory in preparation for Christmas. But this year, we’ll actually be able to take some time off knowing that FBA will be able to fulfill our customer orders.”

FBA has been the resource Beth needed to manage the growth of Iron Chick’s Toys. Instead of incurring a lot of expenses up front that would have eaten up her profits, she’s been able to leverage Amazon’s world-class fulfillment centers and focus on what she does best.
Pricing for success

Iron Chick’s Toys sells the Webkinz Black Lab (new) for $19.95. Since Iron Chick’s Toys uses FBA, their toys are eligible for Super Saver Shipping and Prime shipping. Let’s do the math to see how much Iron Chick’s Toys could make on this adorable dog.

If the customer combines this purchase with another to exceed the $25 minimum, the total cost for the toy will be $19.95.

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<thead>
<tr>
<th>Price</th>
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<tr>
<td>Amazon commission (15%)</td>
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Iron Chick’s Toys receives $14.76 from the sale of the toy.