

## FBA in Action: Treebeard Books

In 2003, Barry Treebeard and his wife started selling books online from their home in Florida. Barry's wife supplied the books and Barry handled the fulfillment process. As a systems analyst, Barry understood the ins and outs of processing orders and fulfilling requests. Even with his education and work experience, he couldn't have anticipated the impact on his fulfillment process that two formidable forces would have in the coming years: Hurricane Wilma and Oprah Winfrey. These forces would eventually be major factors in Treebeard Books becoming Fulfillment by Amazon merchants.

# Treebeard Books



In 2005, Hurricane Wilma made an unexpected visit to southern Florida during the month of October. Regionally, Wilma left behind almost \$30 billion in damage. For Barry Treebeard,

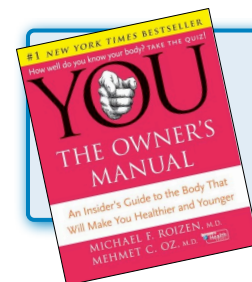
Treebeard Books had to work from a neighbors' garage when Hurricane Wilma knocked their power out for one week.



property damage was minimal, but he was left without power for one week. However, Wilma was not able to stop customers from ordering books online. Barry had to move his fulfillment operation from his home to his neighbor's garage where he could run his PC and printer from a generator. Wilma also got Barry thinking about contingency plans for the future. He was fortunate that his inventory was not wiped out by the hurricane. To be safe from future hurricanes, Barry knew he would need to invest in warehouse facilities and obtain hurricane insurance. The added expense of a warehouse was a challenge in itself. But the cost of hurricane insurance would take a big chunk out of the small company's profits.

Fast forward seven months to May 1, 2006. The Oprah Winfrey show featured guest Dr. Mehmet Oz. The show promoted his book *YOU: The Owner's Manual: An Insider's Guide to the Body That Will Make You Healthier and Younger*, co-authored by Dr. Michael Roizen. Even though this episode was a rerun from the previous year (which helped propel the book to the New York Times Best Seller List), viewers were still eager to get a hold of doctors Oz and Roizen's book. In one day, Treebeard Books received 400 orders for the best seller. Barry's fulfillment process was stretched to its limits. Like so many small companies, Treebeard Books was facing a growth dilemma. The obvious solution would be to hire people to help fulfill orders. But the obvious isn't always the best or the most cost-effective solution.

Enter Fulfillment by Amazon. In October of 2006, Barry found a solution that addressed his two greatest challenges. Instead of renting or buying a warehouse, he could send his inventory to one of Amazon's secure and managed fulfillment centers. He would never have to worry



In one day, Treebeard Books received 400 orders for *You: The Owners Manual*

about a hurricane destroying his inventory. Even if a disaster was to strike a fulfillment center, Amazon’s insurance would cover losses or damages. The cost of Amazon’s monthly storage fee was minimal compared to renting a warehouse and insuring against hurricanes.

FBA also provided a solution for Treebeard Book’s growth problem. While Treebeard Books could have hired people to handle the growing number of orders, they couldn’t guarantee that they would always have enough orders to keep them busy. Managing staff to handle a fluctuating number of orders on a daily basis is a nightmare unless your orders are in the hundreds of thousands or more every day. Amazon fulfills millions of orders on a daily basis. Having an influx of 400 orders in one day is nothing when you consider the scale of their fulfillment process. Hiring people to do the same job that Amazon does would have cost Treebeard Books much more than the fulfillment fees paid to FBA.

That’s not the end of the story. Barry soon found additional benefits to using Fulfillment by Amazon. He soon discovered that he had a lot more free time on his hands. Prior to using FBA, Barry spent up to 18 hours a day listing books, shipping orders to customers, and responding to emails. Those days are history. Now Barry spends about an hour a day creating shipments online and sending them to Amazon fulfillment centers. Customers send the service questions directly to Amazon. Barry and his wife have the freedom to take off for a weekend or a week knowing that FBA will be there to fulfill customer orders as they come in.

### Pricing for success

Treebeard Books sells The Not So Big House Collection (paperback, new) for \$23.97. Since Treebeard Books uses FBA, their books are eligible for Super Saver Shipping and Prime shipping, so it earns the top box. Let’s do the math to see how much Treebeard Books could make on this book.

If the customer combines this purchase with another to exceed the \$25 minimum, the total cost for the book will be \$5.97. That’s \$1.97 less than the next lowest book.

Price	+ \$ 23.97
Amazon commission (15%)	-\$3.60
Variable closing fee (VCF)	-\$1.35
<b>Fulfillment</b>	
Per order fee	\$0.00
Pick and Pack Fee	-\$0.50
Weight Handling Fee	-\$0.40
<b>Total Revenue</b>	<b>\$18.12</b>

Treebeard Books receives **\$18.12** from the sale of the book regardless of the shipping option selected by the customer.

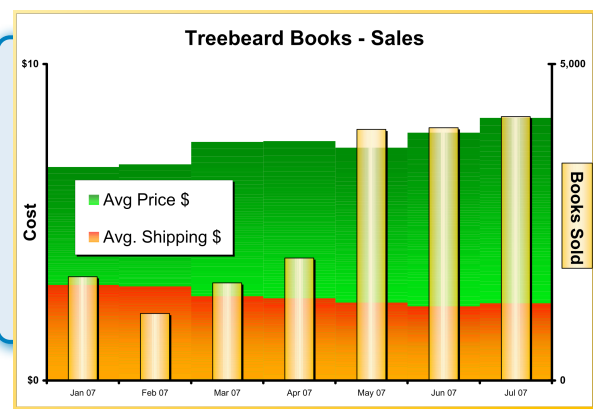
Treebeard Books was also pleased to find that their sales increased using FBA. Since the books they listed online were now eligible for free Super Saver Shipping and Prime shipping, they could include the fulfillment fees in the price of the books and still beat the total cost other non-FBA merchants when factoring the cost for shipping and handling. Before signing up for FBA, Treebeard Books listed their books on other sites. Today they list approximately 98 percent of their inventory on Amazon.com. Barry still uses other Web sites for the remaining inventory, but he still fulfills those orders through FBA. When Barry receives orders through his other channels, he uses Basic Fulfillment to have FBA ship the orders to his customers. “It’s easy and convenient,” says Barry. “FBA has allowed us to increase sales tremendously without adding any employees or warehouse space. We can now take off when we want, and we also have ‘hurricane proofed’ our business. Amazon is always open and can handle any sudden increase in orders that our company, by itself, could not.”

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—Barry Treebeard

Barry admits that it hasn’t been all smooth sailing. “It’s important to understand the system,” says Barry. “If you’re just getting started with FBA, don’t send your entire inventory in at once. Start off with a test shipment. You can send in any quantity you want—one or one hundred. Once you see how it works, you can add to your FBA inventory at a pace that you’re comfortable with.” Barry also advised that you pay careful attention to the labeling and shipping requirements in the [FBA Merchant Manual](#) and [quick reference guides](#). Labeling mistakes can bog down the process once your inventory reaches the Amazon fulfillment center. If they can’t process your shipment, you can’t sell your products—and you won’t make any money. “After completing a few shipments to Amazon’s fulfillment center,” says Barry, “I had the routine down.”

By March of 2007, the numbers reflected Barry’s success with the routine. Treebeard Books’ inventory shipments to Amazon had nearly doubled since December. By July of 2007, his inventory was in the tens of thousands. Sales increased steadily over this time period and even doubled May over April. The average price of their books went up, while their average cost for fulfillment decreased. “By incorporating the fees into the price of our books, we can reduce our fulfillment expenses and still outsell our non-FBA competitors,” says Barry. “Even though their prices might be a few dollars less, their cost for shipping and handling makes their books more expensive than ours, which are eligible for free Super Saver Shipping and Prime shipping.”



Since January of 2007, Treebeard Books has had a steady increase in sales. While the average price of their books has gone up, the

Barry has also gained peace of mind that comes from knowing his wife—and Treebeard Books—are taken care of should anything happen to him. “My father-in-law recently asked me what would happen to the business if something happened to me,” says Barry. “I told him FBA is like that automated house in the science fiction story that ran itself even after there were no people living in it. As long as the inventory is at Amazon, it will be like that house; it keeps selling, and every two weeks Amazon remits the funds without me needing to do anything.”

Whether facing a Category 5 hurricane or the endorsement of a highly influential television celebrity, Treebeard Books now has the resources in FBA to take on whatever fate can throw in their way. Amazon’s secure warehouses and world-class fulfillment process will be there for Treebeard Books come rain or shine.