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# The B2B Manufacturer's Guide to Managing Channel Conflict on Amazon

How to Manage and Mitigate Conflict on the World's Largest Online Marketplace



LEVERAGE AMAZON'S  
TOOLS TO AVOID  
CHANNEL CONFLICT



RECLAIM CONTROL OF  
AMAZON



RECOGNIZE THE ROLE  
AMAZON PLAYS IN THE  
CUSTOMER JOURNEY





## Key Takeaways



B2B Manufacturers can mitigate or even eliminate conflict caused by Amazon by taking control of their brand on the platform.



Amazon is a significant source of channel conflict with both distributors and internal sales teams, primarily focused around product pricing.



Once established, a manufacturer can realize real revenue gains by selling on the world's largest marketplace.

## Introduction: The Amazon Opportunity for B2B Manufacturers

Unless you've been living under a rock, you probably already know that Amazon is one of the largest retailers in the world. Sales on the site ballooned nearly 60 percent during the recent COVID-19 pandemic, pushing Amazon to hire hundreds of thousands of workers and expand its fulfillment network.

But what you may not know is that Amazon Business, Amazon's B2B marketplace, is the behemoth's fastest growing business unit. Since its inception in 2015, Amazon Business has experienced enormous growth, topping a \$35 billion in gross merchandise volume (GMV) in 2022. In fact, Amazon Business is projected to pass \$83 billion in B2B sales by 2025 and shows no signs of slowing down.<sup>[1]</sup> With growth like that, it's safe to say that Amazon Business is transforming the entirety of how B2B sales are researched and transacted.

At the same time, Amazon Business' growth brings a huge amount of anxiety to most B2B manufacturers because it is perceived as undercutting traditional sales channels, which means lower profitability. That anxiety is not unfounded, particularly for manufacturers who fail to embrace the channel and take steps to mitigate—or even eliminate—channel conflict.

Yet, ignoring Amazon Business is not a solution; the truth is, it's not going anywhere. What's more, B2B buyers have changed, especially since the pandemic.

Consider that:

- ✓ **80 Percent of B2B buyers have changed suppliers in the past year or intend to do so soon.**
- ✓ **70 percent of B2B decision makers are interested in using self-serve digital channels for big-ticket purchases.**
- ✓ **Only about 20-30 percent of B2B buyers want to return to in-person sales interactions, even after the coronavirus pandemic is over.**

1- <https://www.forbes.com/sites/laurendebter/2022/05/12/worlds-largest-retailers-2022-amazon-walmart-alibaba/?sh=2bd17fb159e3>

2- <https://fortune.com/2021/10/18/amazon-massive-growth-covid-pandemic-8-charts/>

3- <https://business.amazon.com/en/discover-more/blog/us-public-entities-and-enterprises-accelerate-adoption-of-amazon-business>

4- <https://www.digitalcommerce360.com/2021/04/06/amazon-business-could-double-in-size-by-2025/>









It should be 100 percent clear to every top-level executive at B2B manufacturers that the entire industry has changed—and will continue to change. If your company isn't doing what's necessary to be competitive in this new world, it's very likely it won't be able to stay in business in the long run. If buyers can't purchase what they need whenever and however they want, they will take their dollars elsewhere.

We understand. Change is difficult, especially in B2B firms where traditional channels still dominate. However, Amazon Business doesn't have to be a source of anxiety. In fact, smart B2B manufacturers see Amazon Business as an opportunity to grow. To do this, they need to take clear steps to address channel conflict in a way that produces the desired results.

That's why we've prepared this whitepaper to help you address concerns about changes in how your organization conducts business. This whitepaper delves into detail on how Amazon creates channel conflict and how B2B manufacturers can utilize all available strategies and tools to eliminate that conflict and thrive on the world's largest B2B marketplace.

## Why Amazon Is a Source of Conflict for B2B Manufacturers

Ask any B2B leader whose company why they're not selling their products on Amazon, and you're likely to hear statements like:

-  **"We can't make money selling our products there."**
-  **"Our customers prefer talking to someone when they order."**
-  **"We don't sell the types of products that work well on Amazon."**
-  **"It will really make our distributors and salespeople angry!"**

All of these statements might have been true at some point in time. But we can say with near 100 percent certainty that they're all just excuses at this point. The truth is that these manufacturers are afraid that selling products on Amazon will create channel conflict and cannibalize their current sales. They're afraid to undercut their distributors or to upset their sales team.

### ***What Is Channel Conflict?***

Channel conflict occurs when manufacturers (brands) dis-intermediate their channel partners, such as distributors, retailers, dealers, and sales representatives, by selling their products directly to buyers through general marketing methods and/or over the Internet.





But as discussed above, today's B2B buyers want to utilize digital channels in their work. That might be reason enough alone, but it's also possible that a manufacturer's competitors are already selling on Amazon, or other manufacturers are selling knock-offs. Additionally, some random distributors are selling their products far below the manufacturers' suggested retail price.

A couple of years ago, we conducted a survey of several hundred manufacturers. We asked them if their products were on Amazon, and seventy percent responded affirmatively. However, of those, seventy percent stated that they didn't know who was selling their products. In fact, one of the most eye-opening exercises we perform with B2B firms is showing them the Amazon search results for their products. Almost without fail, we can find hundreds of their products being sold by a company the manufacturer has never heard of and has no relationship with.

The truth is that manufacturers relinquish control of their products and pricing (and thus profit) by not having a presence on Amazon. This also means no branding, no storytelling, and no compelling reasons to buy. As a result, prices are driven down, as sellers on Amazon compete primarily through pricing. This becomes a significant source of conflict for both the manufacturer's distributors and sales team, and many manufacturers aren't even aware that this is happening!

## Two Crucial Mistakes B2B Manufacturers Make on Amazon

There are two crucial mistakes that prevent manufacturers from capitalizing on the Amazon opportunity. And make no mistake, it is indeed an opportunity. Both mistakes revolve around creating, rather than eliminating or mitigating, channel conflict.

The first mistake occurs when manufacturers willingly choose to ignore Amazon. They may come up with various excuses, but the truth is that ignoring Amazon actually fuels channel conflict. Salespeople become frustrated when their customers shift their business online to Amazon due to its ease and affordability, as manufacturers do not control prices on the platform. Authorized resellers, who provide value through their product and industry knowledge, also get frustrated with manufacturers for not maintaining control over prices on Amazon. The conflict already exists, whether or not the manufacturer wants to acknowledge it. However, when a manufacturer ignores the channel, it becomes much more difficult to manage and control.

The other major mistake occurs when manufacturers decide to sell their products on Amazon under the Vendor Central type of relationship. Vendor Central, also known as 1P selling, entails a wholesale relationship between the manufacturer and Amazon. Manufacturers sell their products in bulk to Amazon at a wholesale price, and Amazon then sells and fulfills orders for those products.

At first glance, this may seem like a viable option for many manufacturers, particularly those lacking experience in managing an Amazon presence or fulfilling smaller, one-off orders typically found on the platform. There are exceptions where 1P selling might make more sense.

However, 1P selling exposes manufacturers to potential channel conflict. Under this relationship, manufacturers relinquish control of pricing to Amazon. In turn, Amazon utilizes technology to search the web for similar products and adjusts prices to consistently offer the lowest price point. This often falls below the manufacturer's own MSRP. Consequently, when buyers search for the manufacturer's products, they encounter the lowest price on Amazon and opt for that option due to its convenience.

Why does Amazon engage in such practices? Amazon always prioritizes the customer. This entails not only providing the lowest prices but also offering the widest assortment, ensuring user-friendliness, and delivering orders quickly through its extensive fulfillment network.





The good news is that manufacturers can take control of their Amazon presence, and in doing so, eliminate the vast majority of channel conflict caused by making either of these two mistakes.

## Reclaiming Control of Amazon

The first step to gaining control of Amazon and addressing channel conflict actually begins outside of the platform. It starts by understanding who your resellers are, which will enable you to develop an authorized distribution program on Amazon.

To achieve this, you need to engage in conversations with your top distributors and assess the value each company brings to the sales process. Examine how they sell your products, whether it's on Amazon or other channels. Consider if they provide additional value through their websites, physical locations, or other means. Do they offer supplementary services that enhance the purchasing and usage experience of your products?

Ultimately, you want to set a series of criteria to authorize resellers. Some common criteria to include:

- ✓ **A minimum level of product the reseller keeps in stock (set to whatever is meaningful to your business)**
- ✓ **Whether they are selling on other channels in addition to Amazon**
- ✓ **The level of support they give to the end customers**
- ✓ **A commitment to advertising on Amazon**

The criteria should indicate that the reseller is running a healthy business. These should be the resellers who are adding value to the end customer, which only enhances your own product sales.

Next, you need to develop three policies that will be integral to having a successful and profitable Amazon presence:

- ✓ **Distribution Policy**
- ✓ **Minimum Advertised Policy (MAP) Policy**
- ✓ **Manufacturer's Warranty**

Let's take a closer look at what each of these are and the role they play in your business.

### *Distribution Agreement*

This is an agreement that describes policies and procedures that can help you hold your Amazon resellers accountable. This document will give you the basis for pursuing sellers who you don't want to be selling your products. You will need any reseller or distributor to sign this agreement.

Items to include in a distribution agreement include (but are not limited to):





- ✓ **Exclusivity Rights**
- ✓ **Commission Bases**
- ✓ **Minimum Purchase Requirements**
- ✓ **Order Cancellation Procedures/Policies**
- ✓ **Advertising co-op requirements**
- ✓ **Dispute Resolution**

### **MAP Policy**

These policies outline the products that resellers are permitted to sell and the minimum prices at which they can sell them. They are a fundamental component of any distribution agreement, granting you the authority to withdraw permission for resellers who violate these terms.

Your MAP (Minimum Advertised Price) policy should ideally be channel-agnostic and well-documented. It should be designed to inform all distribution channel partners about the pricing that you consider acceptable for public presentation. It is important to note that enforcing MAP policies can be challenging from a legal perspective, but they provide clear guidelines that help manufacturers and brands manage selling channels. Naturally, you should adhere to your own MAP policy on your own Amazon presence, website, and any public-facing materials that display pricing information.

### **Manufacturer's Warranty**

It's highly likely that most manufacturers provide some form of warranty for their products. What may surprise you is that these warranties can be utilized to prevent unauthorized sellers from selling your products on Amazon.

Here's the key: When an Amazon seller sells your products without authorization, they are essentially voiding your standard warranty. From a legal standpoint, this is a significant distinction and can serve as grounds for requesting Amazon to remove your products from their store, and potentially even from the entire Amazon platform.

However, in order to reach a point where you can take action against unauthorized sellers, you must first establish a Seller Central account on the platform. This brings us to the next section...

## **How to Leverage Amazon's Tools to Avoid Channel Conflict**

The first step in leveraging Amazon's own tools to eliminate or avoid channel conflict is the type seller account you have. We've already discussed Vendor Central accounts, or 1P. To truly make Amazon work for you, though, it's been our experience that using a Seller Central account, also known as 3P selling.

Seller Central differs significantly from Vendor Central in that you will now be able to directly sell products on Amazon. In this model, you actually set up your own branded storefront on Amazon. Amazon is simply an intermediary (i.e. a marketplace) where you, as a vendor, conduct business. This model gives you full control over product selection, presentation, and most importantly, pricing.







3P selling on Amazon is advantageous for many reasons, but let's focus on how it can help you eliminate or reduce channel conflict.

As mentioned, the most important thing you can control with a 3P account is the price of your products. That is, you're no longer subjected to Amazon's algorithms pricing your products as you are under 1P selling. This enables you to determine what your profit will be on each unit sold. You can also control which products are sold on Amazon, either through your own presence or through authorized distributors and resellers.

But more importantly, it enables you to enforce your MAP with resellers. By establishing your own pricing on the platform, you can more easily make claims against those unauthorized resellers and start having them removed.

To do this, you also need register your brand with Amazon's Brand Registry. That will require you to trademark your brand, so be sure to have that done prior to starting any processes with Amazon.

Once you register with Amazon, a whole new set of tools open up to you, chief among them is the ability to report unauthorized sellers. And once a seller is reported, Amazon will investigate and restrict any sellers who are illicitly selling your products. But this is only available for brands that have registered with Amazon. Think of it as a means for having a direct line of communication with Amazon.

Once you go through these steps, you will be able to actively monitor Amazon for unauthorized resellers. And over time, as you report them, there will be fewer and fewer. Simultaneously, using your distributor and MAP agreements, you can encourage resellers who meet your criteria to sell your products on Amazon, expanding your products' availability. And ultimately your sales!

## Your Sales Team Vs. Amazon: Is It a Death Match?

So far, we've mainly discussed strategies to reduce and eliminate channel conflict with other businesses—namely distributors. However, selling on Amazon often causes conflict with internal sales teams as well. Sales people often are sensitive to changes that may reduce their income or eliminate their jobs. It's a reasonable concern, but one that doesn't have to signal a death knell.

The key to making Amazon work for your sales team is to align their compensation with sales on Amazon. That means giving them credit for any Amazon sales that come from either their active client base or someone in their sales territories even if they didn't have a hand in making the sale. This is an essential step in reducing conflict with your sales team; it earns them money and helps keep them aligned with your overall strategy by sending the message that their expertise is relevant and still very much needed.

In other ways, it frees sales people up from having to manage repetitive, high-labor sales, where their sole function is an order-taker. Those types of sales can be kicked down to Amazon, allowing sales people to focus on more strategic targets and larger accounts. Ultimately, the more you can reduce conflict with your sales department, the better they'll be able to perform.

## Recognizing the Role Amazon Plays in the Customer Journey

It should be abundantly clear by now that Amazon has a role to play in your customers' journey. Manufacturers need to find ways to not only get their products on Amazon, but to control their presence there in order to mitigate external and internal conflicts with other channels. If you're still not sure how this would work in the real world, our client Grasshopper went through a similar process not too long ago.





## How Grasshopper Took Control of Amazon—and Profited

Leading commercial lawn mower manufacturer Grasshopper is known as an innovator in their industry. The inventor of the zero-turn lawn mower, Grasshopper prides itself on building top of the line lawn mowers with long shelf lives. As such, Grasshopper has developed a strong post-purchase service business, offering maintenance, parts, accessories, and upgrades. For more than 40 years, they have sold their products through an international base of dealerships, serving institutions, government agencies, higher education, and large corporations around the world; all highly stable industries.

Fast forward to 2021 and, while the company's core business continued to grow, Grasshopper's management observed three emerging trends in their traditional go-to-market approach which concerned them:

01

**Their dealer base was turning over, closing or pivoting to other types of businesses. Many of them were mom and pop businesses with no succession plans in place to sell or transfer the business to the next generation, or they were converting to Ecommerce.**

02

**Dealers were changing how they do business, introducing more competitive lines to their showrooms. As a result, they weren't stocking as many of the parts and accessories that Grasshoppers need over time in order to last.**

03

**They found a dramatic increase in number and types of uncertified, unofficial parts and accessories available through Ecommerce. What's more, many of these items did not meet Grasshopper's standards, and their use could potentially damage equipment.**

A key finding of their research showed that Amazon was a key platform where they were losing ground. A thorough search identified numerous aftermarket parts for their lawn mowers, some of which were being sold at a disturbingly low price and were poorly presented. There were even items that they don't make themselves. Worst of all, they didn't know who was selling these products. And management was concerned that any moves to manage Amazon directly would cause channel conflict with their dealer base, exacerbating the trends described above.

That's when they turned to Enceiba for guidance and help.

### Analysis, Strategy, and Execution

Enceiba's first step was to conduct a thorough inventory of what was being sold on Amazon to understand what was happening. We analyzed all products being sold on Amazon, both aftermarket and manufactured by Grasshopper, looking at how they were presented, who was selling them, and at what price.







From this analysis, we were able to develop a strategy to not only address the issues, but to strengthen Grasshopper's positioning on Amazon. Our goal was to first establish a foundation of channel control by developing a Minimum Advertised Price Policy (MAP) and a distribution agreement for resellers. With Enceiba's expert guidance, management became convinced that a direct and transparent approach to managing the Amazon channel would actually serve to reduce channel conflict.

## Results

With the strategy in place, Enceiba moved to the execution phase of the plan. We conducted a brand makeover on Amazon, cleaning up all their listings and working with authorized resellers to raise prices to match the MAP. We also worked with dealers to accept Grasshopper's distribution agreements.

After a year of execution, Grasshopper's business on Amazon has not only stabilized, but grown significantly. Parts sales grew extremely quickly, dramatically expanding revenue. To date, Grasshopper has over 500 SKUs on the platform and are adding more all the time. In fact, they're now selling products on Amazon that they didn't expect to sell. By offering hundreds of parts, Grasshopper is able to take advantage of Amazon's search engine, making their brand more findable and enabling buyers to get parts that are somewhat hard to find.

Establishing a brand presence has also helped Grasshopper recapture sales that were previously lost to unauthorized resellers. Interestingly, Enceiba found that 70 percent of buyers of the company's products on Amazon were more than a 40-minute drive from an authorized dealer, and outside of the reach of the traditional dealer base. Instead of the Grasshopper user having to purchase aftermarket, off-brand products of inferior quality via Amazon, now these customers could buy the official OEM product. Grasshopper essentially reclaimed the market for its aftermarket parts and accessories on Amazon.

Most importantly, Grasshopper has not received any complaints from its dealers and channel partners since launching the Amazon program. In fact, dealers have been pleased with the outcome, as they are also no longer competing with underpriced parts from unknown sellers. Today, Grasshopper is better serving their ultimate customer while achieving an increased margin that results in capturing full retail price and new sales on Amazon.

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## Integrating Amazon into Your Sales Strategy

Amazon doesn't have to be a source of conflict. In fact, it can be a real revenue generator! You can use it to find new customers while still serving older ones. Having a presence on the world's largest marketplace is an integral part of being a manufacturer today. It's as essential as, say, having a website and an email address.

That doesn't mean it needs to be the sole focus of your business, either. You can use it to differentiate different products, lines of business, or even brands, while using your own website to deliver different content, products, and expertise.

Whatever course you take, it's important to understand that Amazon isn't going anywhere. It's better to figure out how to leverage the channel rather than fight against it. Because those who do tame Amazon will likely find themselves thriving, while others who ignore it fade away into obscurity.

Want to learn more about selling your products on Amazon? We can help! [Contact us](#) to discuss how to build a solid Amazon strategy that avoid channel conflict and builds revenue.

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