



Why I Prefer Private Labeling

Purpose

The purpose of this lesson is to really get across the idea that private labeling offers a lot of opportunity. Being able to create your own brand that you control, especially with Amazon where you're the only person selling that brand, is very valuable.

Make no mistake – a lot of large companies are doing this and profiting well from it. Instead of having to manufacture the products themselves, they take advantage of a good source for a good high quality product, place their label on it, and do what they do best – market the product to achieve sales.

Amazon lends itself to this strategy very well because it allows you to create your own unique listings for personally branded products that you are not manufacturing but are able to do with what you do best – market the product to achieve sales.

Advantage of *Private Label*

This lesson's corresponding video demonstrates a *Private Label* product on Amazon. Not all the details of that example are shown here, but there are some worth mentioning.

The video example first illustrates the branded product "MaritzMayer Raspberry Ketone Lean Advanced Weight Loss Supplement". MaritzMayer is actually a brand for this product that also wholesales to people, allowing them to put their brand on it as well as control the price of the product. While not all brand holders allow this, MaritzMayer is one such wholesaler that does.

This particular product is actually sold by us using "*Fulfillment by Amazon*" (FBA). So even though the product is branded, we're able to control the pricing and the means by how it gets shipped. However, if you view the product listing you'll notice that we're not the only ones selling this product, as indicated by the "22 new" (at time of creating this lesson) reference on the listing page (just under "In Stock"). This means that to beat out the seller competition (e.g. "win the buy box"), we will need to pay very strict attention to the market flow of this product, especially the pricing, which we have control over and can use to help gain the edge on our competitors but what our competitors can also use to knock us out of the buy box.

As well as selling this particular product, we sell another one that, although a different listing than the MaritzMayer listing, is exactly the same product. The only difference between the MaritzMayer product and ours is the label. Our version of the product is actually a *Private Label* (PL) version, meaning that it has our own label on the product.

The obvious advantage here is that because our version of the product is private-labeled, there is no one else selling the product. No one else is allowed to sell this product without violating



Amazon's policies, something we would immediately report on which would most likely result in their account being terminated.

This means we have no competition for this particular listing, so while our product listing is not as highly ranked as the MaritzMayer one and ours is sold at a higher price than the MaritzMayer one is being sold at, our product receives a decent number of sales per day and will likely continue to do so, particularly as different promotion methods we can implement are used to help boost its ranking and such.

Private-Labeling Profits

In this section of the lesson we'll look at the math behind the profits that are made with PL products. Using the product from the above illustration, here are the numbers:

- **Our cost** – including the bottle price and having a label on it, our cost is **\$4.00 per unit**.
- **Brand selling price** – this is the "buy box" price that the MaritzMayer branded bottle sells at, which is **\$6.49 per unit**.
- **Brand selling margin** – the per-unit margin on the branded product, after factoring in Amazon's 15% cut and any other costs involved in selling the product, works out to approximately **\$1.50 per unit**.
- **PL price** – the selling price with the private label on it is **\$14.97+** (the plus is the increase in price we plan when the product increases its rankings in Amazon).
- **PL margin** – the margin on the PL product is **\$10.97 per unit**.

Using these figures, the PL margin is **over 7x the branded!!** At 1000 units (a typical inventory count), the margin on the branded product is \$1500 in profits versus \$10,970 in profits on the PL product.

But ...

There is no guaranteed strategy for finding a perfect PL source – a company that will put your label on the product, give you a good price on it, provide an option for ordering in lower quantities (so you don't "break the bank" testing out the opportunity), etc. It will take some work, less or more depending on the brand and product category, and on how much you are willing to try to find it.

Conclusion

As you can see, there is serious advantage to getting into PL product selling. You can create and control your own Amazon product listing (no selling competitors), build up your own brand and make a lot more profit. The numbers shown above were for only 1000 units and we sell much more than that for both the branded and PL product.