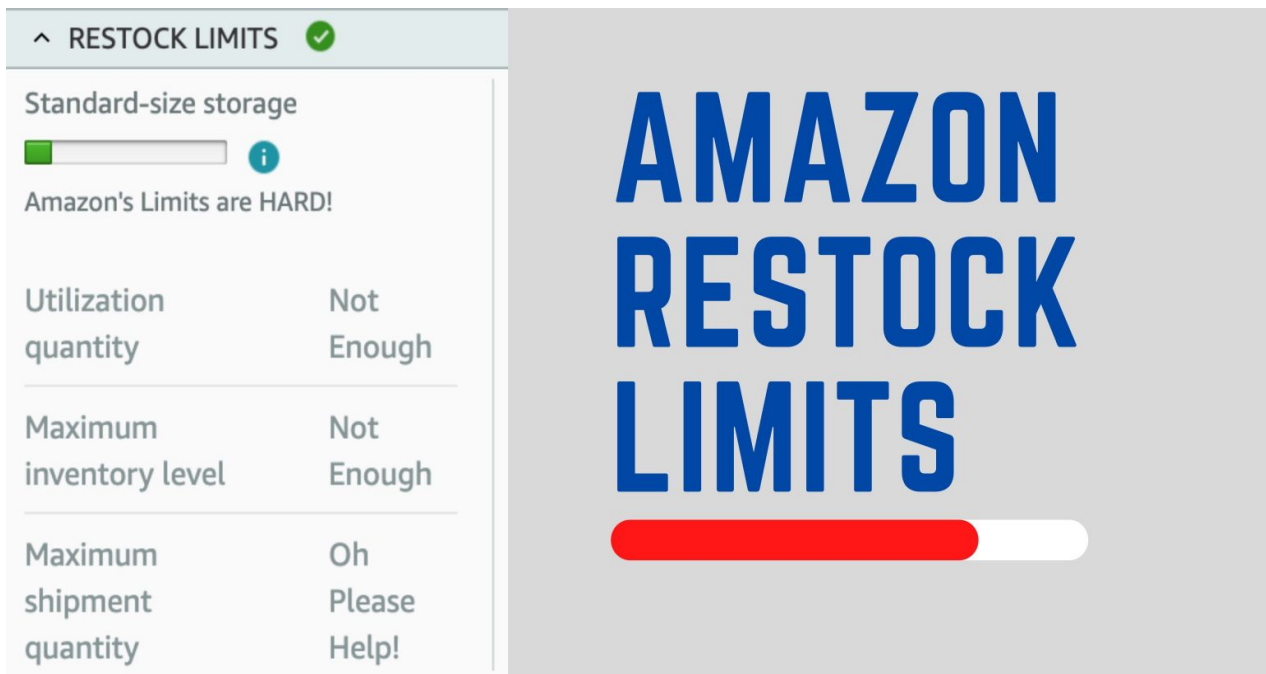




FBA Prep Center Marketplace Prep Founder Explains Amazon's New FBA Restock Limits

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James McConnell, Jr, a supply chain and logistics expert who operates Amazon FBA and Walmart WFS prep center, Marketplace Prep, in the Dallas/Fort Worth Texas area, has published an article on the website explaining Amazon's new FBA Restock Limits. The article provides tips for optimizing the inventory that sellers send in so that they can maximize sales.

Amazon introduced Account Level Restock Limits in April 2021. The exact mechanism behind the concept is not very clearly presented or explained in most online media. James McConnell, Jr. has noticed that most sellers that he comes across in his consulting are not fully cognizant of them either. In response, he has written a simple and direct article that simplifies the concept so that hopefully more Amazon sellers become aware of it. His own eCommerce company currently has a 13% utilization and has maintained it in the range of 10% to 15% since this policy was announced.

James McConnell Jr. talks about the article by saying, "I have personally spent multiple weeks studying the

market, doing data analysis and researching for all of my clients. I'm well-positioned after all of my research to explain how Amazon Restock Limits actually work and what their introduction actually means for Amazon sellers. This effort, to understand everything that Amazon throws at its vendors, aligns with my mission to make Marketplace Prep the third-party logistics (3PL) service best suited for anyone looking to create a profitable business in eCommerce.?

The article first explains the disambiguation between the concept and popular misconceptions. Restock Limits are not tied to cubic or volumetric storage. Restock Limits are not tied to IPI scores but are instead calculated using different formulas. Restock Limits are not random and do not have the same thresholds in non-US marketplaces. Restock limits are not based on gross sales volume nor are they about selling more or selling faster. Businesses can actually increase limits with slower OR faster-selling SKUs equally. Restock Recommendations on the Restock inventory tab are also not optimized for Restock Limits. The recommendations have default settings that can be changed at the SKU level.

After the article finishes clearing the air about what the Restock Limits are not, it explains that Amazon uses one key metric in their Restock Algorithm. This key metric is the Turnover and a variation of turnover is also called Days of Cover or Days of Stock. If a business wants to increase its restock limits, they don't need to simply just sell more units. Instead, they need to increase their utilization to sell-through ratio. The article then gives a real-world example to explain the concept better: If a business sells 3,000 units a month across all SKUs and it maintains 6,000 units of stock at AND inbound to FBA, it will have roughly 60 days of stock. This would put the business at between 60-80% utilization. If the period is decreased to 30 days, the business will be at 15-25% utilization, based on Marketplace Prep's estimates. The article reminds the reader that all these calculations are separated by size category, aren't perfectly accurate, and only statistically tend to fall within these ranges.

The article concludes by recommending to increase turnover by sending in smaller quantities of SKU more frequently and shortening the time between adding an item to a shipment and having it check-in at Amazon. It also recommends attempting to keep the total quantity inbound and at Amazon under 30 days worth of stock or as close to it as possible. Another tip is to delete any inbound shipments that the business isn't planning on sending in. It also recommends removing or offering deep discounts on excess inventory with more than 60 days of stock.

The article comes up with a helpful analogy for imagining Amazon Restock Limits. It states that Restock Limits are like credit scores. A person may have a \$10,000 limit, but if they put down \$9,000 on that card, their credit score will go down. Restock Limits can be thought of in the same way based on the data collected in this research.

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Marketplace Prep

Marketplace Prep is a 3PL and Prep Center for Marketplace Retailers, which provides the professionalism of a large company with the client-focused service of a small business.

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