

Amazon Business Pricing Comparison

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Summary of Findings

Are cities and school districts likely to save money by switching their purchasing from a local office supply company to Amazon Business?

To help answer that question, we examined pricing for 57 items that were purchased by a county school district in California during a two-week period in January. The district, which was randomly selected, purchased these items from an independent office supply dealer, which has annual sales of less than \$5 million. We compared the actual prices invoiced to the district by this dealer with Amazon Business pricing for the same items.

To find the lowest prices available from Amazon Business while accounting for shipping costs, we reported prices in two categories. The first, Amazon Business Prime, consists of items marked with the “Prime” indicator on the Amazon site, which makes them eligible for free two-day shipping for customers subscribed to Amazon Business Prime.

The second category, Amazon Business Marketplace, consists of items without the “Prime” indicator, which are not eligible for Prime shipping. These items are often supplied by third-party sellers. Our matching process favored sellers offering free shipping. In instances when obtaining the lowest overall price for an item required paying a shipping charge, that charge is rolled into the item price we report.

We found that the independent dealer provided the lowest overall price for the 57 items purchased by the school district: \$1,205. For Amazon Business Marketplace, the total price was \$1,282, or 6% higher. For Amazon Business Prime, it was \$1,328, or 10% higher.

These results challenge the commonly held assumption that Amazon has lower overall prices and suggest that local governments may in fact be better served by independent dealers.

Methodology

Accounting for Shipping Terms

This study compares prices in three categories:

Amazon Business Prime — Includes free two-day shipping of certain items, if the agency has paid the annual membership fee. The fee varies depending on the size of the company. Businesses that sign up 10 of their employees to the service pay an annual fee of \$499, while companies that sign up 100 workers pay \$1,299. Businesses that want over 100 employees to have access must pay \$10,099 annually.

Amazon Business Marketplace — This category is the best-available non-Prime pricing. Most of the non-Prime items state 1-2 weeks delivery time. Where the Amazon Business marketplace seller specifies a shipping or freight charge, it is included in the price we report. Our matching process favors items and sellers with free shipping.

Independent Dealer — The independent dealer delivers most products next-day to local agencies, free of charge. (Some independents have a minimum order size for free local delivery which is typically around \$50. Many independents waive that minimum order size for larger customers such as government agencies.)

Source Data

The source data is taken from actual usage and actual invoiced prices from a California county school district. This usage and sales data is from a two-week period beginning on January 15, 2018.

This county school district agency was selected at random without their knowledge.

SP Richards is the primary wholesale distributor source utilized by this independent office supply company. A total of five items purchased by the agency were removed from the list because they were unique, personalized, or proprietary to the agency making them unavailable from SP Richards.

The independent dealer was not aware they had been randomly selected nor that they would be price compared to Amazon Business. The pricing the independent charged reflects their regular pricing to this agency.

Both the agency and the independent dealer's names will remain anonymous.

How We Match Items

It should be noted that the exact same item can be found on the Amazon site several times, if not dozens of times, under different and unique Amazon Standard Identification Numbers, or ASINs. Just go to the Amazon site and enter *AVE5160* and you'll get two Prime versions of this item plus many more unique ASIN listings for this item.

We choose from this clutter what we think an informed consumer would choose. The following considerations go into our matching process:

- Prime Items
- Lowest Price
- Free Shipping
- Number of Reviews
- Number of Sellers

In addition, we also make sure the manufacturer is the same, the unit of measure is the same (or as close as possible), and the item is available and in stock for delivery.

As with any such endeavor, this is a subjective process and relies on the industry knowledge of the person making the matches. All of these matches were verified by someone with over 40 years of experience in the office products industry. The complete Excel file data is also provided.

Unit of Measure Issues

When comparing units of measure to the usage data, we match to the unit closest to what the customer ordered. Any unit of measure differences are accounted for in the usage comparison with the prices being "factored" to the industry standard wholesale distributor unit of measure, SP Richards in this case.

Business Prime Items

Not all items in the sample were available as Business Prime items. When selecting the “Business Prime Price” for an item, the Business Prime price is used if available. Otherwise the Amazon Business Marketplace price is used.

List Price

List price is typically provided by a wholesale distributor, SP Richards in this case. List price can be the manufacturer’s suggested retail price (MSRP) or it can be completely made up by the wholesale distributor. Despite these facts, list price is still commonly used as a pseudo maximum price from which discounts are often deducted and bid upon.

When contracts are being negotiated and discounts quoted in the office products industry, list price is typically used as the basis for this discounted price or percentage.

Amazon used to show list price on their site, but have since removed it from most items.

Results

Total Price Comparison

Comparing the total price of the 57 items purchased by this county agency, the independent was the lowest overall total price at \$1,205. Amazon Business non-Prime ranked second with a total price of \$1,282 (but delivery times of up to 2 weeks). Business Prime performed the worst coming in at \$1,328.



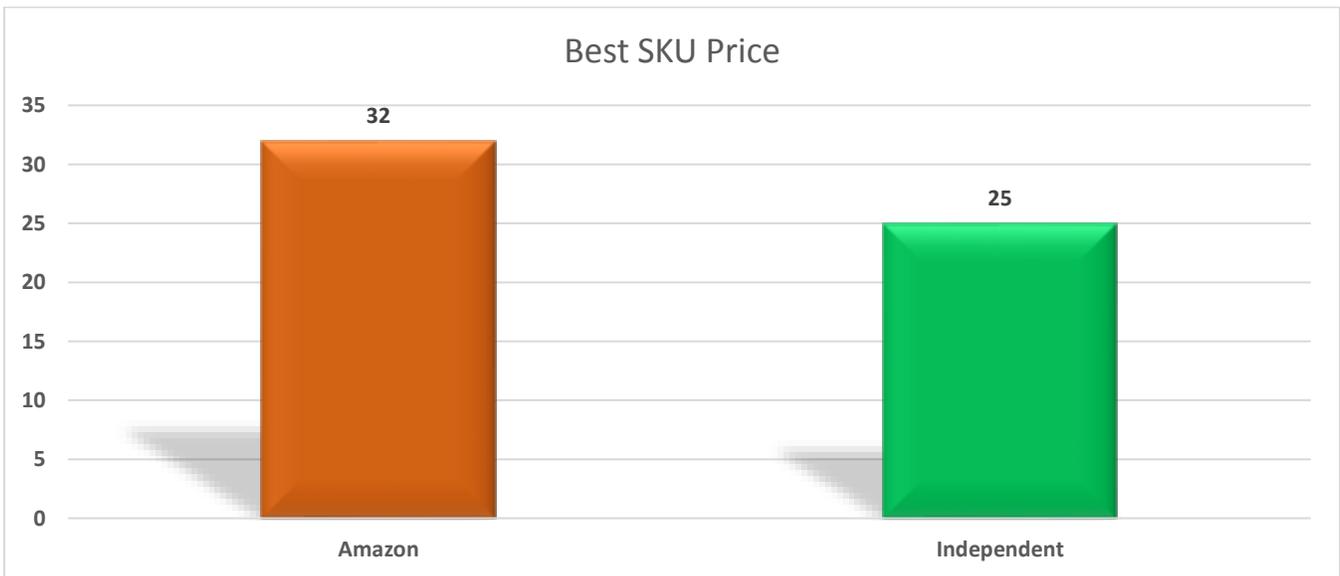
Overall Discount Percentage

The independent performed the best in the overall discount off list percentage coming in at a total overall discount of 42%. Business non-Prime ranked second with a 38% overall discount and Business Prime was last with a 36% overall discount off list percentage.



Best SKU Price

Amazon won the best price on the most SKUs with 32 out of 57. The independent came in second with the lowest price on 25 out of the 57 SKUs.



Winners and Losers

An interesting abnormality is that Amazon won the most SKUs with the lowest price, but lost the overall total lowest price. This illustrates a huge flaw in the typical price comparison and bidding process. A company can have the best price in the world on two-way radios, but if the customer doesn't buy a lot of them, the overall effect is diminished when they pay a premium for the products they purchase in larger quantities or more frequently. (This was the case in this example, where the school district ordered multiples of items that had higher pricing on Amazon Business.)

Another potential pitfall for government agencies and other purchasers arises from the fact that the quoted or contracted SKU pricing is tied to a specific item — a specific ASIN in the case of Amazon. As noted, the exact same item can be found on the Amazon site under many ASINs. If the customer orders a different ASIN, then the quoted pricing does not apply and the customer can overpay.

The only way to truly evaluate a vendor's price performance is a post-award analysis of actual invoiced usage and pricing data.

Conclusion

This analysis found that an independent office supply dealer provided a local school district with a lower overall price on two-weeks-worth of purchases than the district would have obtained from Amazon Business. In addition, the dealer provided superior shipping terms, with next-day delivery, rather than the 2-day delivery on Amazon Business Prime items and up to 2 weeks for Amazon Business Marketplace items.

While this finding may be counter to the common assumption, it's not actually that surprising when you consider that independent office supply dealers are buying in significant volume, often via group purchasing cooperatives, and many have achieved significant efficiencies through years of operations.

Amazon's pricing is dynamic and can vary day by day. This comparison was a snapshot taken at a single point in time. In theory, a purchaser could spend days and days on Amazon Business checking every item, waiting for a lower price, while weighing delivery times against the needs of their organization. There is, of course, a significant cost to doing this.

Do most independent office supply dealers generally beat Amazon Business pricing? While the dealer in this study is typical of similar dealers around the country, it's not possible to say for sure. However, one thing should be crystal clear: The claim that Amazon Business has the lowest overall price is false, and any assertion to the contrary is not based on fact.