



Will Brands Flee Amazon as It Ramps Up Private Labeling?

Author: Ina Steiner

Published On: January 12, 2017

Amazon is forging ahead with its private label brands, and they're not just snack-sized entries into the food category (Happy Belly and Wickedly Prime). Amazon has moved into the fashion category with the launch of its own private label brand Buttoned Down, as [previously reported](#).

[Rumors recently surfaced](#) that Amazon was mulling a bigger step by eyeing the fashion brand American Apparel for acquisition. While Gildan Activewear was the ultimate buyer, it's significant that the ecommerce marketplace is exploring a major role as clothing manufacturer.

How will such moves impact other merchants and brands? Tom Caporaso is CEO of [Clarus Commerce](#), which offers shipping and loyalty solutions to online merchants across a wide range of industries and operates the site FreeShipping.com. He shared some thoughts with EcommerceBytes in this exclusive interview.

What are you hearing from brands about the threat Amazon poses by expanding from marketplace to manufacturer/brand? Will brands feel more of a need to stay on Amazon as a result, or will such moves by the marketplace cause them to flee?

Tom Caporaso: Although Amazon has been manufacturing and selling private-label apparel for almost a year now, third-party sellers haven't been pulling out of the marketplace, so they're unlikely to flee in substantial numbers even after Amazon expressed strong interest in purchasing American Apparel.

After all, Amazon still offers them access to a huge audience, and third-party sales on Amazon.com rose 70% over the holidays. The reward of staying in the Amazon marketplace likely outweighs the risk at the moment.

Is Amazon moving into private label only in areas it feels third-party merchants are unable to satisfy customer demand? Or do you see signs that Amazon wants bigger margins in many categories?

Tom Caporaso: Amazon's move into new categories isn't necessarily, or at least solely, dependent on the performance of its third-party sellers. Amazon is likely following the same strategy it's had for years, i.e., pursuing opportunities that serve its larger mission; it wants to be the "Everything Store" and become an indispensable part of consumers' lives.

Clothing is a basic human need, so developing popular fashion lines would help drive and enhance customer loyalty for years to come.

Beyond that, Amazon's gross margin in apparel is higher than in any other category, including home improvement, office supplies, and books. It's just smart business on Amazon's part to cultivate

opportunities like that.

Even without the American Apparel brand, expanding its fashion footprint could also help Amazon's brick-and-mortar ambitions. Offering busy consumers the chance to pick up affordable clothes while they're on their way from work to the gym or from the gym to home or even from work to a night out would likely attract more people to its Go locations.

If Amazon finds opportunities to expand further into apparel or into other categories that support its larger goal, it will surely give them serious consideration.

Any other thoughts on Amazon's moves and how online sellers should be reacting?

Tom Caporaso: As noted earlier, Amazon will likely continue to expand into products and categories that put it in competition with third-party sellers. Those merchants will need to keep a close eye not just on the quality and price of Amazon's offerings, but also on their own product placements and how often they appear in the "buy box" on product pages, among other issues.