



HOW TO SELL YOUR AMAZON BUSINESS FOR A PROFIT



By Theo McArthur

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Occasionally students of 'How to Start an Amazon Store on a Tight Budget' ask if there's way to sell their business, either now, or in the future.

Later in this report we'll be looking at what to do if your business has very little trading history or profit, but for now we'll focus on profitable businesses because those are the businesses that can make you a lot of money when, or if, you decide to sell!

You may wonder why anyone would *want* to sell a profitable Amazon store. Well, for the same reasons why people sell *other* types of profitable businesses. A change in personal circumstances, to free up funds for something important, or to move on to a different business venture. There are *many* legitimate reasons why someone might want to sell their business.

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Before we get into the details of selling an Amazon business, let's have a quick reality check. We're going to be discussing things like trademarks, Brand Registry, and other things that are required to sell an Amazon business. My advice, as always, is to get some experience as a seller on Amazon *before* going down the route of trademarks etc. That doesn't mean that you should put this report aside until you've been selling on Amazon for a few months. Not at all! If you read it now, it'll help you to form a plan to work towards for the future.

How Much do Amazon Businesses Sell For?

Anything from a few \$1000's to \$1,000,000 plus. We're going to cover this in more detail later.

There are certain things that buyers look for in an Amazon business. But, if you know what these things are in advance, you can take action to put them in place, or work towards them.

Let's look at each of these things in detail.

The Business's Brand

This is one of the most important factors. Buyers want *Brand Registered* businesses. This means having your own brand and enrolling it in Amazon's Brand Registry program.

Amazon's Brand Registry is a free program open to sellers with a Professional seller account and a trademarked brand.

Pros of Brand Registry

The ability to create **enhanced A+ listings** with more images, HTML, and even videos.

Complete **protection** of your listing against hijackers.

The option to take advantage of '**Sponsored Brand**' advertising. Sponsored Brand ads are different to Amazon's regular sponsored ads (PPC). They allow you to advertise your listing while at the same time promoting your brand. There are millions of brands on Amazon, but if yours begins to get recognized and searched for, you will get more sales. Several students of the course 'How to Start an Amazon Store...' have achieved brand recognition on Amazon.

Cons of Brand Registry

You need to have your own **logo and branding**. However, this can be done for just a few dollars if you get a gig on Fiverr, and there are plenty of these types of gigs available!

You need to have a **registered trademark**. This can be relatively expensive (a few hundred dollars) because it must be done with the help of a trademark attorney. There are lots online to choose from. To compare prices, do a Google search for 'trademark service'.

Alternatively, Amazon has its *own* trademark service called the 'IP Accelerator'. The advantage of using Amazon's service is that it's faster, a *lot* faster! A trademark application can take several months to complete, and until that time you cannot use Amazon's Brand Registry to create listings. But, with the IP Accelerator program, you could potentially start creating listings within a few weeks, or even less. The disadvantage is that it will probably cost more than using an external trademark service.

The Business's History

Buyers of Amazon businesses (as with almost any business) are looking for some established history. You need at least one year of selling history, preferably two plus. Of course, it's *possible* to sell your business earlier, but you'd get very little for it.

There's been a lot of hype online about 'flipping' businesses by setting them up, doing a little, and then selling them again within a few months. That model does *not* work for most types of business, including Amazon. The effort and potential expense (remember the trademark?) of the initial set up, and getting the business off the ground, is not worth the small return you'd get if you sold it almost right away.

Instead, you need to build the business up for at *least* a year. Waiting longer, say two years plus, will give you a higher price and a better profit.

The only scenario where you might sell your business after less than a year is if you really wanted to get out for some reason (we will talk about this later).

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The Business's Turnover

Turnover is not profit. Turnover is the business's *sales revenue*. In other words, the money you earn from the sales of your products on Amazon before any costs are taken into account.

When you have a new listing on Amazon, it takes a while for sales to build up, and for the first few months (sometimes longer) sales are not expected to reach full potential.

Also, with any type of commerce (online or offline), there are busier times and quieter times. Some of this is down to the general seasonal flow where consumers spend more at certain times of the year, and some of it will be down to *your* products. Most products are affected to some degree by consumer buying patterns and will have *some* increases and decreases in sales throughout the year.

Turnover is one of the reasons why a business needs to have history. Potential purchasers want to see the average turnover for each year the business has been operating.

The Business's Profit

Although profit margin percentages do matter, the *actual* profit (the money!) is more important. For example, a 10% margin might not sound a lot, but if it equates to a profit of \$30,000 a year, it's still attractive to prospective buyers.

Buyers will look at the average profit for each year. Some buyers may even consider a business that's running at a small loss *if* they can see a way to cut costs and turn things around. Keep in mind that not all buyers are novices. Some have experience in the world of retail and may see potential *even* when a business is not profitable. Saying that, a non-profitable business will not sell for a lot of money. Later, we will look at how Amazon businesses are valued, and what other things (besides profit) come into play.

The Potential Longevity of the Business

When potential buyers are looking at Amazon businesses for sale, they want to feel confident that the business has the potential to last. There are never any guarantees of course, and after the transaction the *buyer* is responsible for keeping the business going. But, in general, buyers favor businesses that are showing steady results (on average over a period of time), or even better, an upward trend. Saying that, it *can* sometimes be possible to sell a business that's on a downward trend, and there *are* some buyers who will purchase a business like that providing they feel that it has the potential to be turned around.

The Products

How many products/listings do you need to sell your business for a great return? The answer is not many! It's even possible to do well out of selling an Amazon business that only has *one* listing. However, the business is likely to attract more interest from buyers if you have three or more products in your brand/range. They don't necessarily need to be in the same category.

The reason buyers like to see multiple products in your brand's range is because having just one listing is like having all of your eggs in one basket. In the course 'How to Start an Amazon Store...', I teach students to start with one listing, but to then add a second and third as soon as they have some experience of the whole process, and as soon as they can afford it.

Unfortunately, sometimes students come back to me after a year or more of selling only one product. Things have been going well for a long time, but now, for one reason or another, they are not. After months (sometimes years) of reaping the benefits of that one single listing, sales have declined. It can happen. Not only on Amazon, but everywhere. It's part of life when you have a business. Having only one listing is like having *all* your eggs in one basket. Potential buyers know this.

Does the niche/category of the products matter? Not really. There are *some* buyers who look specifically for businesses with products in categories they already sell in, but in general, if the business is doing okay and there are suppliers for the products, the category isn't that important.

The Business's Workload

The most labor-intensive part of an online retail business is fulfilling customer orders. The workload of an FBA (fulfilled by Amazon) business is a lot lower than that of an FBM (fulfilled by merchant) business. Additionally, packing and shipping every order *yourself* is often not possible and would usually require at least one in-house assistant or employee. This is why most potential buyers of Amazon businesses prefer FBA (fulfilled by Amazon) over FBM (fulfilled by merchant).

The Suppliers

Potential buyers will look at how many suppliers you have and whether you have any backup suppliers. If you only have one supplier and no backup, your product supply is vulnerable. If something should happen to that one supplier, your business could be left without inventory until you find another supplier that suits your needs.

The Records

As part of your business's history, buyers will expect to see accounts which have been made up or verified by a qualified professional. So, if you intend to sell your business in the future, start getting your accounts drawn up by an accountant during the *first year* of your business. Aside from that, accountants are experts at saving their clients' money in taxes!

A tip to cut your accountants fees in half and make your life a *lot* easier:

I don't know about you, but I *hate* paperwork. Back in the day, we used to put all our invoices and paperwork in a shoebox and hand it to the accountant at the year end. I'm sure you can imagine just how chaotic that was, and just how much work was involved in getting things in order. Nowadays we use online bookkeeping software. Services such as Quickbooks, Xero, or Sage integrate with your Amazon seller account, *and* with your bank account. Every transaction is automatically recorded. At the end of the year, all you need to do is give your accountant access to your bookkeeping software. Easy for you, and easy for the accountant!

You'll need a bank account *separate* from your personal bank account, of course. Because, if your business transactions are all mixed up with your personal transactions, it would be a complete mess.

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Let's summarize what you'll need if you want to sell your business.

A brand name and logo/package design (Fiverr is a cheap place for logos and design work).

A trademark so that you can enroll in Amazon's Brand Registry (find a trademark service online or use Amazon's IP Accelerator program).

A history of at *least* one year, two+ years is better (it *is* possible to sell an Amazon business without much history, but you are unlikely to get much for it).

A few products in your brand's range. You don't need lots, but at least three (again, it *is* possible to sell the business with just a single product listed, but single product businesses are much less attractive to buyers).

Reliable suppliers, meaning at least one backup supplier along with your main supplier/s.

Proper accounts/records from the time your business started trading, made up or verified by a qualified professional (online software such as Quickbooks integrates with your Amazon seller account and your bank account to record all transactions automatically. This will cut your accountants fees in half and save *you* a lot of time and stress!).

Who buys an Amazon business?

There are essentially four types of buyers.

Type one is a novice and has no experience of selling on Amazon, and often has no experience of any type of retail business. These buyers usually frequent online marketplaces like Flippa (we discuss online business marketplaces later).

Type two is an existing Amazon seller with some degree of experience who is looking to expand by buying an existing Amazon business to add to their portfolio of listings. These buyers will frequent online marketplaces like Flippa, and they may also use brokers.

Type three is the ultra-serious buyer. These buyers have a ton of experience, and the funds to go with it. They *may* frequent online marketplaces, but they will mostly use brokers.

Type four is the business acquirer or aggregator. These are companies with a huge pot of funds. They buy high worth Amazon businesses with a minimum of a million dollars per year turnover. As such, this type of buyer is out of reach for *most* people who are selling their Amazon business.

How Are Amazon Businesses Valued?

Amazon businesses are valued by multiplying the profit, and typically businesses sell for between two and four times the annual profit. For example, if the profit is \$80,000, the business would be valued at between \$160,000 and \$480,000. However, some will be valued as high as *six times* the annual profit, or even more!

Why such a big difference? Because profit is not the only factor. Things such as the business's workload, how many products it has, and how long it has been operating, also come into play when an Amazon business is valued.

To clarify what profit means – it means the income that is left over after all costs and expenses, but *not including* any money you take as a salary.

For example, if the annual profit is \$90,000 after all costs and expenses, and you take \$70,000 as your salary, the profit is *still* \$90,000 (not \$20,000).

Things that affect the valuation.

Profit – this is the business's annual profit. Amazon businesses typically sell for two to four times the annual profit. However, some will sell for less than that, and some will sell for a lot more.

Workload – if the listings are FBA the workload is greatly reduced.

Stock – if the business has any stock it will be taken into account.

Trademarks and branding – your brand's trademark/s and logo/s, package designs etc. are also considered and can add to the value of the business.

Length of time operating - a business with a longer history will usually be valued higher than a business with a shorter history.

Trend - whether the business is on an upward trend, a downward trend, or a steady trend – obviously a business that is showing growth will be valued higher than one that is showing decline.

Range of products - a business with multiple listings/products will, in most cases, be valued higher than a business with just one.

Suppliers – if the business is completely reliant on just one supplier, it will usually be valued lower than a business with two or more suppliers, and/or backup suppliers.

Where to Sell Your Amazon Business

Now that you know what a business *needs* if you want to sell it for a profit, and what potential purchasers are looking for, where do you sell it and how do you go about the process of selling it?

Luckily there are some excellent options for selling Amazon businesses, especially FBA businesses.

Please note that I have *no affiliation* with any of the options discussed here. Links are provided for your convenience only.

Flippa

Flippa has been operating since 2009. It's described as a private marketplace for the buying and selling of online businesses. Although it has traditionally traded mainly in websites, domain names, and apps, it also now has a growing database of Amazon businesses for sale.

<https://flippa.com/buy/monetization/amazon-fba>

You'll notice that most of the listings are of businesses with a history of at least two years. Although, I did notice one with a history of just one year. I also noticed a two-year-old KDP (Kindle books) business with a net profit of over 19,000 euro a month, listed for sale at more than \$600,000. That's quite an achievement for a two-year-old business, especially in the Kindle books department because the profit per book sold is very small. Anyway, that's just an interesting sidenote!

How much do Flippa charge?

Flippa, like all brokers/marketplaces, takes a percentage of the price achieved when a sale is made. The lower the price, the higher the percentage they take. For example, if you sell a business for less than \$50,000, Flippa will take 10% when the business sells. If the business is sold for between \$50K and \$100K, the percentage taken by Flippa is 8%. Over 100K and under 250K and it's 6%.

There is also a standard one-time listing fee of \$49 (at the time of writing this), or an enhanced one-time listing fee of \$199 upwards, depending on the package you want to take.

Optionally, you can also take advantage of Flippa's confidentiality feature. Which means that you can list your business without revealing the details publicly. Interested prospective buyers will sign an NDA before getting access to the details.

Empire Flippers

Founded in 2010, Empire Flippers is traditionally known for selling high worth businesses, but nowadays it also lists a wide variety of Amazon businesses being sold for anything from \$5,000 to \$5,000,000 plus.

<https://empireflippers.com/marketplace/amazon-fba-businesses-for-sale/>

How much do Empire Flippers charge?

Empire Flippers has no listing fee, but they do charge a commission of 15% when the business is sold. This is for all businesses that sell for under \$700K, which is most of them.

Thrasio

Thrasio is not a marketplace. Instead, it's a business acquirer, or *aggregator*. Meaning, it buys businesses, and specifically *Amazon* businesses. The downside of aggregators like Thrasio, is that generally they only buy businesses with an annual turnover of \$1 million or more.

Other similar business acquirers include Perch and SellerX.

Because of the high bar set by these business acquirers, most people who decide to sell their Amazon business will do so through one of the marketplaces like Flippa or Empire Flippers, *or* they will use a broker.

Using a Broker

A good broker will be able to provide you with an expert valuation of your Amazon business *and* present your business to a pool of potential buyers.

They will also be able to handle the transfer process on your behalf. Another advantage of using a broker is that they have access to *serious* buyers. A disadvantage is that their fees may be higher than the fees you would pay to a marketplace like Flippa or Empire Flippers.

Here's a list of some of the most popular brokers dealing with Amazon businesses.

Ecombrokers

Amz Squad

Dealflow Brokerage

The FBA Broker

How to Value Your Amazon Business

If you plan to sell your business on a marketplace, you will need to do your own valuation. However, Empire has a great valuation tool that you can use, but keep in mind that it uses a fairly basic formula to calculate it.

<https://empireflippers.com/valuation-tool/>

I'd recommend that you spend some time studying other Amazon businesses for sale, both on Flippa, and on Empire Flippers. Click through to the listing's main pages and look at all the available information.

Remember this from earlier:

"typically, businesses sell for between two and four times the annual profit."

You'll see a range of profit multiples when looking at listings on marketplaces like Flippa and Empire. Some are listed for sale at 3 or 4 times the annual profit, while others are listed for 2 times the annual profit, or even a little lower than that. Studying the listings will help you get an understanding of why each business is listed for a particular profit multiple. Which in turn will help you to come up with a multiple for your *own* business.

You'll need to register for an account on each website and in some cases, you'll need to sign an NDA to get access to a listing's full information, because as already mentioned, some listings are confidential.

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How quickly do Amazon businesses sell?

How quickly the business sells will depend a *lot* on the price. Businesses listed for under \$100,000 sell much faster than higher priced businesses. This is

because the buyer pool for high priced businesses is small in comparison to the buyer pool for *lower* priced businesses (under \$100K). So, in general, the higher the price of the business, the longer it will take to sell. A business costing \$60,000 might sell almost right away, whereas a business costing \$2,000,000 might take six months, nine months, or longer.

What happens after an Amazon business is sold?

When you sell your business, the funds are held in escrow until the transfer is completed. Amazon doesn't allow the straight transfer of seller accounts to another person, but if you are selling a *business*, you can migrate the account as part of that business.

If you sell your business to an **acquirer/aggregator**, they will handle the migration and transfer for you. However, as already mentioned, most aggregators only buy high worth businesses with a turnover of more than a million dollars per year.

If you decide to sell with a **broker**, you will get help. Most good Amazon business brokers have lots of experience with the transfer and migration of Amazon businesses.

If you decide to sell on **Flippa**, you will *not* get help with the seller account migration, or any other part of the business transfer. Flippa are there only to help sell the business on your behalf, and hopefully to get the best price for it.

On the other hand, **Empire Flippers** *do* help with the process.

<https://empireflippers.com/amazon-fba-listing-transfers-vs-account-transfers/>

Of course, you can do the migration yourself, but having an expert to do it for you might be more attractive since the process involves several steps and can take up to three months to complete.

Selling a business with less than one year of history

What if you have a business that's been trading for less than a year?

It can still be possible to sell the business, but in most cases, you'd get less for it than for a business that's been trading longer. However, getting *something* back is always better than getting nothing!

To sell the business, it will still need to have a trademarked brand, and at least one active listing on Amazon. It will also still need to have accounts that have been made up or verified by a qualified professional. If it doesn't have those things, it's unlikely that you'd be able to sell it as a business. However, **even in those cases all is not lost**. If you can have your inventory returned to you (from Amazon FBA), you can sell it as a wholesale lot on eBay, Gumtree, Craigslist, etc. In fact, I do this myself from time to time when I want to cut one of my listings or shift my focus onto a particular category of products.

But assuming that your business *does* have the necessary requirements (trademarked brand, active listing/s, financial accounts), you can list it on one of the marketplaces like Flippa or Empire Flippers at perhaps 1 times the profit earned so far. It may need to be listed for less if it's on a declining trend. For example, if the business has made \$7000 in profit but profits are going *down*, you might want to list it for, say, \$3500, which is a multiple of 0.5.

So that's it!

Tens of thousands of Amazon businesses are sold every year. If you want *your* business to fetch a great return when, or if, you sell it, it's important to get the structure right. It might seem like a lot of work, but nothing worth doing is easy. And, in the meantime you'll be generating an income as an Amazon seller!

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