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Amazon Christmas Present – Buy for a Pence

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Want to buy a set of headphones for a penny? How about a mattress? Or a dress? If you were quick on your feet between 7 PM and 8 PM U.K. time on Friday, December 12, you could have done just that. Where? On Amazon, of all places.



During that hour, the prices for thousands of items crashed to one pence (about a U.S. penny). The cause – a software glitch in a third-party application used by thousands of small Amazon sellers. The application provides automatic pricing adjustments to ensure that the seller's products are priced competitively. The third-party software firm is a U.K. company, RepricerExpress.

Word of the “great deals” spread rapidly via Twitter. Buyers were delighted. Sellers were appalled. The error cost many small family-owned businesses thousands of British pounds. Many face bankruptcy.

RepricerExpress

RepricerExpress began operations ten years ago. It maintains offices above a pub in Derry, Northern Ireland, and on Madison Avenue in New York City.



Its primary business is “intelligent repricing.” For online sellers subscribing to its services, RepricerExpress scours the Internet looking at prices for similar products and automatically reprices the sellers' products to remain competitive. Repricing can occur every fifteen minutes.

RepricerExpress is a member of Amazon's Technology Partner network, and it works closely with Amazon using Amazon's API to offer repricing services. The company supports seller listings on Amazon U.K., U.S., Germany, France, Italy, Spain, Canada, and Japan.

RepricerExpress provides GUI dashboards to establish parameters and to monitor the marketplace. Among the parameters that a seller can define are the minimum and maximum prices for an item to avoid selling it at too low or too high a price.

Pricing for RepriceExpress' repricing services range from \$30/month for 2500 SKUs (Stock Keeping Units) to \$70/month for 50,000 SKUs.

Being a U.K. company, most of Repricing Express' customers are located in the U.K., though there are a smattering of customers outside of the U.K.

The Pain is Felt

To obtain fast shipping, many companies stock their products in Amazon's warehouses. From there, Amazon ships products directly to customers with shipping times as little as one day. Thus, there is little

time between when an order is placed and when Amazon's computers begin the shipping process, a process that evidently cannot be interrupted.

Some of the heart-wrenching stories of those sellers affected include:

Martin Le Corre manages the online store MB Housewares. The store sells toys and games on Amazon. Mr. Le Corre received a call from a competitor questioning why he was selling his products for as low as 1p. He immediately checked, and found out that his store had received 1,600 orders in one hour. People were buying 10, 50, 100 copies of everything. Mr. Le Corre immediately took his store offline and contacted Amazon. Amazon had already shipped GBP £30,000 of products and could not cancel any of the shipments. Mr. Le Corre estimates his losses could amount to £100,000.

Stephen Palmer sells TVs and mobile phones on his online store, TV Village. One customer ordered 59 mobile phones at 1p each. Even though Mr. Palmer notified Amazon right away, orders were still being marked by Amazon as dispatched from its distribution center 24 hours after he called to try to stop shipment. Mr. Palmer was one of the lucky ones. He did not have much stock in the Amazon warehouse as normal because of the run-up to Christmas. He was arranging for next-day delivery from his office. He lost only £1,600. The glitch could have cost him £100,000, which would have meant certain bankruptcy for his store.

Kiddymania, an online dress company, lost about £20,000. It received 675 orders for dresses that normally cost up to £100 each for 1p. It asked Amazon to cancel the orders, but Amazon continued to send them out, charging the company for the shipping fees.

Craig Constantinides operates Go2Games, an online video-game retailer. He estimates losses of £37,000. £11,000 of goods were sold for just £147. He now finds that he is dealing with thousands of dissatisfied customers who had their orders cancelled.

Richard Burri is a U.S. online retailer operating the Pens and Leather store. He notified Amazon after his products started selling for 1p. However, he continued to receive shipping notifications with tracking numbers. Amazon told him that there was no way to cause the items to be rerouted back to Amazon. He emailed customers begging them to return the items to Amazon. He stated that if customers would not do this, and if neither Amazon nor RepricerExpress took responsibility for the error, he would be bankrupt.

Evidently, Amazon was having huge problems trying to stop items from being dispatched from its warehouses. It seems that once the computer has set everything in motion, it is hard to stop.

In addition to the huge losses suffered by the online stores, sellers were complaining that the orders that had been cancelled were ruining their seller ratings.

Amazon's Response

Amazon takes a slice of each sale made on its web site. This income stream contributes to its annual profit of USD \$20 billion per year.

On Sunday, Amazon said it was working to stop any more 1p orders from being dispatched from its warehouses. However, sellers were angry that they could not stop orders that had already been dispatched. Even worse, they reported shipments were still being sent out on Monday afternoon, 72 hours after the glitch occurred Friday night.

In a statement, Amazon said,

"We responded quickly and were able to cancel the vast majority of orders placed on these affected items immediately, and no costs or fees will be incurred by sellers for these cancelled orders. We are now reviewing the small number of orders that were processed and will be reaching out to any affected sellers directly."

Sellers demanded that Amazon take some responsibility for the error caused by RepricerExpress' glitch. However, Amazon has ignored calls to offer compensation to its selling partners, saying that it will accept no liability for the losses suffered by its sellers:

"As of now, Amazon will not be providing any reimbursements for this issue. You will need to contact the third-party software provider who is responsible for this error."

RepricerExpress' Response

RepricerExpress offered its apologies, but it has offered no compensation to sellers for their losses. Brendan Doherty, the CEO of RepricerExpress, stated:

"I am truly sorry for the distress this has caused our customers. We understand that you are angry and upset, and we will endeavor to work to make good on this issue and to work to resolve your confidence in our product and service."

He went on to say:

"We experienced a problem with RepricerExpress on Friday evening which caused incorrect pricing to be sent to Amazon. We managed to get the problem resolved so that any new prices going to Amazon were correct within about an hour of the problem being reported. It took a further few hours to get incorrect prices reverted to their original prices where possible.

"Amazon have assured us that seller accounts will not be penalised for this issue. Amazon have also issued a statement which states that the vast majority of orders placed were cancelled.

"I understand that this issue comes at the most important time of the year for our customers and I am deeply sorry by the disruption that has been caused. We have communicated with Amazon to help minimise orders with incorrect prices being shipped, and we encourage sellers to contact Amazon for up-to-date info on this.

"Again I would like to take this opportunity to apologise to our customers for this issue. We will continue to investigate the cause and to put measures in place to prevent it from happening again.

"One of the things all sellers can do to prevent this issue from happening again is to ensure that they do not de-activate the pricing alerts facility provided by default by Amazon that prevents large pricing changes from being published to the website without a second confirmation by the seller.

"We take a lot of pride in the levels of service we provide, so everyone here is disappointed that our customers have experienced this issue. We will continue to work to provide the highest levels of service we can in order to regain the trust and confidence of our customers."

After the weekend, on December 15, RepricerExpress reported:

"We are pleased to report that our systems are running normally with no new problems being reported.

"Since the start of business today, we have been working with our advisors and relevant third parties to determine answers to pending questions from our customers. We will be making a further statement on this matter over the next day or two and appreciate your patience until then.

"In the meantime, we encourage customers to contact us directly and we will do everything in our power to help."

Again, on December 18, it noted:

“It has been widely publicised that pricing issues occurred in relation to a restricted number of sales of goods to the public using the RepricerExpress service.

“RepricerExpress in conjunction with other interested parties are investigating the cause of the issues experienced and are fully committed to a resolution.

“RepricerExpress are co-operating with all involved parties in seeking to determine a satisfactory outcome and wish to inform sellers and the public alike that appropriate steps are being taken to ascertain the cause, and a further announcement shall be made as soon as possible.”

Summary

RepricerExpress boasts on its web site that it provides “the ridiculously simple way to increase your Amazon sales.” It certainly proved that statement, though in a very disastrous way.

Neither Amazon nor RepricerExpress has offered any financial support for affected sellers. Moreover, although several law suits have already been initiated against RepricerExpress, sellers have a concern that the small firm will collapse under the amount of the claims.

This incident demonstrates the danger of relying on automated software to control any function without monitoring controls. Imagine an airliner control system that ordered full flaps while the airplane was cruising at 500 knots. It would tear the wings off of the plane.

In this case, it appears that there were two levels of monitoring that might have protected a seller. As we mentioned earlier, one protection is that RepricerExpress provides on its dashboards parameters that define the minimum and maximum prices at which an item can be sold. Perhaps this capability was being used by sellers but became disabled because of the software bug.

The other monitoring means is offered by Amazon. As Mr. Doherty noted,

“One of the things all sellers can do to prevent this issue from happening again is to ensure that they do not de-activate the pricing alerts facility provided by default by Amazon that prevents large pricing changes from being published to the website without a second confirmation by the seller.”

It appears that the affected sellers did not use this capability offered by Amazon. This is a major argument in support of Amazon’s refusal to take any financial responsibility for the underpricing losses.

Acknowledgements

[Amazon sellers hit by nightmare before Christmas as glitch cuts prices to 1p](#), *The Guardian*; December 14, 2014.

[Nightmare before Christmas: frustrations grow after Amazon 1p glitch costs businesses thousands](#), *The Telegraph*; December 15, 2014.

[Amazon sellers face financial uncertainty after 1p automated pricing glitch](#), *The Guardian*; December 15, 2014.

[Amazon refuses to compensate sellers for 1p price glitch](#), *The Guardian*; December 16, 2014.

RepricerExpress Web Site, www.repricerexpress.com.