

How To Start and Operate a Drop Ship Business: Make Your Fortune Drop Shipping

# How To Start and Operate a Drop Ship Business: Make Your Fortune Drop Shipping

Brought to you by

Work at Home



Small Business Ideas

<http://www.yenommarketinginc.com/>

Copyright ©2005, Yenom Marketing Inc. All rights reserved.

## Contents:

### 1. Drop Ship Your Way to Wealth

by J. Stephen Pope

### 2. "What Is Drop Shipping?"

by Chris Malta

### 3. Dropship Your Way To Online Success

by Tim Knox

### 4. Why Most People Never Learn How To Really Use Dropshippers

By Armand Melanson

### 5. Bonus: Free E-Books

## Disclaimer:

The information contained herein is provided as a service. However, this information should not be relied upon. Always obtain proper legal and other professional advice before undertaking any significant business transaction. We shall not be responsible for any damages whatsoever, whether caused by inaccurate information or any other causes.

## 1. Drop Ship Your Way to Wealth



by J. Stephen Pope

Your customer sees a marvelous array of products on your website. After thoughtful consideration, she purchases the product she wants. Amazingly, you have never actually seen the product. That is because your supplier shipped the order directly to her.

### **1. Problems With Stocking Inventory**

After deciding what products you will sell, you are immediately faced with many challenges.

First: "To stock my products, will I need to rent store or warehouse space? I was hoping to sell by Internet, mail order, or export, but I don't have much storage space for inventory at home."

Second: "Will the supplier even deal with me if I don't have a retail location? I was counting on keeping my overhead down by operating from home."

Third: "I know that many manufacturers and distributors have a minimum order, sometimes in the thousands of dollars. I don't have that kind of money!"

Fourth: "Even if I did have the money, why should I tie it up in inventory? How do I know if the product will even sell?"

Fifth: "I guess I will have to add extra insurance

## **How To Start and Operate a Drop Ship Business: Make Your Fortune Drop Shipping**

coverage for my inventory. Maybe I better upgrade my security system while I'm at it."

Sixth: "The shipping charges are going to kill me. First, I have to pay to get the goods here (freight-in). Then, I have to pay to ship the goods out to my customers (freight-out)."

Seventh: "If I expand and hire employees, how will I control the inventory? How will I know if my employees are stealing from me?"

Eighth: "How much time and money am I going to spend packaging and fulfilling orders?"

These problems can be reduced or eliminated by drop shipping.

### **2. Drop Shipping to the Rescue**

Drop shipping is a method of selling products without stocking inventory yourself. You don't need to stock inventory, because you only order an item when a customer requests it.

With drop shipping, when you make a sale you contact the manufacturer or authorized distributor and make arrangements to pay for the order at your wholesale cost. Your distributor then ships the product to the customer with your invoice and shipping label.

For example, let's assume that you have just sold a product to a customer for \$100.00 plus shipping charges of \$15.00. Having received the customer's payment, you now need to fax or otherwise send your order to your drop ship supplier. You will need to pay your supplier, by credit card or other means, your cost of \$50.00 plus \$15.00 shipping. This leaves you a \$50.00 gross profit. Your supplier will now ship the product to your customer.

With this arrangement of not having to stock inventory yourself, there are many advantages.

You eliminate the high costs of holding inventory. There is no need for you to rent expensive storage

## **How To Start and Operate a Drop Ship Business: Make Your Fortune Drop Shipping**

space, finance high minimum orders, get stuck with goods that don't sell, or pay other expenses associated with maintaining inventory.

Indirectly, you do pay inventory costs. Your drop ship supplier must maintain his inventory and pay all associated costs, including freight-in, storage space, insurance, accounting, shrinkage, and so on. To make a profit, he must pass these costs on to you.

The real advantage to this drop shipping arrangement lies in keeping your costs variable. Instead of being stuck with these expenses up front, whether you sell or not, you pay only when you make a sale.

### **3. Profit From Drop Shipping**

Many legitimate drop ship suppliers may not require you to have a retail location, but they will want to see evidence that you are in business. They may require you to produce a resale license or retail sales tax permit.

To be sure, there are pitfalls to watch out for in drop shipping. For example, some suppliers claim to sell at wholesale prices but are actually selling closer to retail. Also, margins are very slim in some competitive areas, such as electronics. However, with proper research and information, you should be able to avoid these problems.

Whether from your home, retail store, directly from your website or through an online auction, you can arrange to sell an item before you purchase it. That way you have nothing invested in inventory and won't get stuck with stock that won't sell.

Rather than financing and stocking inventory yourself, consider drop shipping your way to wealth.

## **How To Start and Operate a Drop Ship Business: Make Your Fortune Drop Shipping**

### **Resource Box**

J. Stephen Pope, President of Pope Consulting Inc., has been helping clients to earn maximum business profits for over twenty-five years.

For valuable Work at Home Small Business Ideas, visit  
<http://www.yenommarketinginc.com/>

For more information about drop shipping, visit  
<http://www.yenommarketinginc.com/dropship.html>

## 2. "What Is Drop Shipping?"



Chris Malta, Founder

by Chris Malta

To understand Drop Shipping, we should first understand product distribution.

People have been distributing products since before the first mastodon skinner traded a fur coat for a flint axe.

Here's how it works.

Let's say ABC Manufacturers makes a product called Mom's Ankle Wax. We'll say that Mom's Ankle Wax has been around for years. It's a very well known brand name product. It will without a doubt give you the shiniest ankles on your block, and everybody wants some.

ABC Manufacturers makes Mom's Ankle Wax, but they don't sell it directly to the public. They're a manufacturing operation. They're far too busy melting paraffin and waxing test ankles to go around building stores all over the place. They need distributors; companies who will take their product and distribute it to the places that will sell it.

For years, ABC Manufacturers has sold Mom's Ankle Wax to a company called DEF Distributors. The founder of DEF Distributors knew Mom herself, back in the old days when she made her Ankle Wax by hand, out in the turkey barn.

Today, DEF Distributors buys Mom's Ankle Wax by the truckload. They pay \$5.00 a case for it, which is a very good price. It's such a good price, it has it's own name: the Manufacturer's Wholesale Price.

However, DEF Distributors does not sell it to the general public

## How To Start and Operate a Drop Ship Business: Make Your Fortune Drop Shipping

either. They are a distributor. They distribute Mom's Ankle Wax.

DEF Distributors works with a chain of retail stores called Wax R Us. This place was founded by a retail business visionary who saw the incredible potential of Mom's Ankle Wax a long time ago. Today there are Wax R Us retail stores on every street corner in every major city in the country. Wax R Us buys truckloads of Mom's Ankle Wax from DEF Distributors for \$10.00 a case.

So, DEF Distributors makes \$5.00 on every case of Mom's Ankle Wax they sell to Wax R Us retail stores. This makes DEF Distributors very happy.

Cases and cases of Mom's Ankle Wax arrive in the stockrooms of Wax R Us stores everywhere. The Wax R Us employees open those cases, and pull 12 cans of Mom's Ankle Wax out of each case. With their pricing guns, they stick a price of \$4.50 on each and every can.

Wax R Us stores make a total of \$44.00 on each case of Mom's Ankle Wax. (12 cans x 4.50 per can = 54.00, minus the 10.00 they paid for the case = 44.00).

Wax R Us is even happier than DEF Distributors.

However, the happiest people of all are the people who can stroll into Wax R Us and purchase a can of Mom's Ankle Wax for only \$4.50. They think this is a great price, and they're walking around with the shiniest ankles in town.

Well, that's it-basic product distribution. The manufacturer sells to the distributor, the distributor sells to the retailer, and the retailer sells to the end user (the customer). The manufacturer, the distributor and the retailer all make money because the customer is willing to spend money for the product.

Drop Shipping has been around for a long time, too. Probably as long as mail order catalogs; maybe longer. If you want to use a buzzword to impress a corporate type, call it "second party Addressing".

Above, we talked about the manufacturer-distributor-retailer relationship. When you use drop shipping to sell products on the Internet, (or anywhere else), YOU become the RETAILER in that Relationship.

## **How To Start and Operate a Drop Ship Business: Make Your Fortune Drop Shipping**

For our purposes, there are two kinds of retailer. There is the retailer who stocks products, and there is the stockless retailer. Drop Shipping means that you become a stockless retailer.

### **Retailers who stock products**

Let's imagine that you want to open a retail store on the Internet. You have to have products to sell, right? Let's also imagine that you like to suffer. Mental anguish is your favorite pastime. You aspire to financial ruin. In that case, you will want to stock products for your Internet retail store.

To stock products for your store, you will have to rent warehouse space, or at least clean out your garage. You will have to have to pay for a shipping account with UPS or FedEx, unless you want to saddle up and trot down to the post office every day. Worst of all, you will have to pay for those products up front.

Yes, that's right. Money. Probably lots of it. For example, if you want to sell Mattel Toys, you can contact Mattel and they will be happy to set you up as a retailer. I know-I've talked to them. We had a nice conversation about setting up an account, placing orders, and all the other wonderful things businesspersons discuss with each other when beginning a relationship. Toward the end of our conversation, this nice woman said to me, in an offhand manner, "By the way, your minimum first order must be at least \$100,000." That's One Hundred Thousand Dollars, folks.

I nearly choked on my bagel. Needless to say, I do not stock Mattel products. Or anyone else's, for that matter.

Stocking products costs money, that's the bottom line. No matter what you sell, if you carry stock, you pay first, and then hope you sell later. If you don't sell the products you buy, there are going to be some very happy people at your next garage sale, and your bank will be sending you an amazing amount of undesirable mail.

There's a much better way.

### **Stockless Retailers (Drop Shipping)**

It should be noted here, if only to keep the Punctuation Police happy, that if you use the method of drop shipping in your business, YOU are not the "drop shipper". The company(s) who supply the products to your customers for you is the drop shipper. YOU become a "Stockless

## **How To Start and Operate a Drop Ship Business: Make Your Fortune Drop Shipping**

Retailer".

Here's how drop shipping works.

- 1.) You open an Internet Store, with a shopping cart and the ability to accept credit cards.
- 2.) You find a distributor who is willing to drop ship the products you want to sell. The best place on the Internet for this is [www.DropShipSource.com](http://www.DropShipSource.com). The Drop Ship Source Directory is recognized as the best source for legitimate wholesale drop shippers on the Internet.
- 3.) You establish an account as a retailer with the distributor you Choose.
- 4.) You receive images and descriptions of the products you want to sell from the distributor, and post them on your Internet Store.
- 5.) A customer surfs into your Internet Store, and falls in love with a product that you have priced at, say, \$80. They purchase the item with their credit card. Your Store charges their credit card \$80 plus your shipping fee.
- 6.) You turn around and email the order to your distributor, along with the customer's name and address.
- 7.) The distributor sends the product directly to your customer, with YOUR Store's name on the package.
- 8.) The distributor charges you the wholesale price of, say, \$45.00, plus shipping.
- 9.) Your customer gets a cool product from your store shipped to their door, and they tell all their friends about you, and you make even more Money.

There you have it. You just made a \$35.00 profit on one item. You didn't have to buy a whole bunch of the product and keep it in your warehouse, hoping you would sell it. You didn't have to pay to have it shipped to you, and then pay to ship it to your customer. All you did was send an email to your distributor.

That's the drop shipping process in a nutshell, and we've placed information in the Drop Ship Source Directory about everything from setting up your store to accepting credit cards.

## **Resource Box**

Chris Malta is a Microsoft Certified Systems Engineer. He has worked with computer Systems for 18 years. He's been involved in eCommerce systems, networking and site design for more than 6 years. He's taught college-level computer courses in Western NY. He developed The Drop Ship Source Directory and he and his partners at Worldwide Brands, Inc., publish the Directory and run eCommerce sites of their own using Drop Shipping as their only business method.

<http://www.yenommarketinginc.com/dropship-source-directory.html>

### 3. Dropship Your Way To Online Success



by Tim Knox

The popularity of eBay has inspired many people to start a business. And for those entrepreneurs who don't want to invest in a ton of inventory but still want to set up shop, dropshipping is a logical solution.

Before you get started, consider these seven steps involved in starting a dropship e-business:

#### **Step 1:**

Choose a product to sell. The very first step in any sales process is deciding what product to sell. Many factors should be considered before you make the decision, but for now, let's say that you've decided to sell CD players on eBay.

#### **Step 2:**

Locate a supplier who will dropship for you. Using a research tool like Google, ThomasRegister.com or an industry-specific resource like The Ultimate eBay Dropship Power Pak, you can search for and find a company that will dropship CD players for you. If the company offers you a 35 percent markup over cost, which means that it will supply the CD players to you for \$100 each, then you should be able to retail them for \$135 apiece. Make sure the dropshipper has a good stock of CD players on hand so you don't end up selling a product that must be back-ordered.

#### **Step 3:**

Set up an account with the dropshipper. Now it's time to set up a reseller account with the company that will supply the CD players. This can often be done online or by phone, but some companies will require that you complete and return a reseller application to open an account. Some may also require a tax ID and a business license.

## **How To Start and Operate a Drop Ship Business: Make Your Fortune Drop Shipping**

### **Step 4:**

Advertise the product for sale on eBay. Now that you have your supplier lined up and you know that the product is in stock, it's time to make a sale. That means it's time to advertise the product using an eBay auction. Since you know what you must pay the dropshipper for the product, you also know what minimum amount you will take for the product. In this case, you could start your auction at \$100, since that is your cost. If you are confident that you can get more than \$100 for the product, you can start with a lower price, but remember that if the product goes for less than what it costs you to fill the order, you will lose money. Also remember that the dropshipper will charge shipping, so make sure to figure that into your sale.

### **Step 5:**

The product sells. Great news—your CD player has sold for \$135, and your customer pays you with a PayPal instant payment. I highly recommend that entrepreneurs use PayPal or some other online processor to accept instant payments. This allows the customer to pay you faster, which lets you place the order with the dropshipper faster, which gets the product to your customer faster.

### **Step 6:**

Place the order with the dropshipper. Once your customer pays you, you should contact the dropshipper immediately to order the product on your customer's behalf. The dropshipper then ships the order to your customer under your company name and address.

### **Step 7:**

Follow up after the sale. This is where many new e-business entrepreneurs drop the ball. Just because your customer has paid you and you've placed the order with the dropshipper, does not mean that you are out of the loop. Quite the contrary: If there are problems with the order, you are the one that will be held responsible in the eyes of your customer.

It's best to be proactive in your customer relations. Follow up with customers to let them know when a specific item has been shipped. Offer yourself as the personal contact for any issues that may arise. This is also a great way to sell customers more products. Invite them to check out your eBay store or Web site, if you have one.

Many people are afraid to use dropshipping as a method of sales due to the horror stories that fill the Internet about unscrupulous dropshippers who take the money and don't fill the orders, merchandise that is eternally back-ordered, unscrupulous middlemen posing as dropshippers and so on. Make no mistake, the dropshipping

## **How To Start and Operate a Drop Ship Business: Make Your Fortune Drop Shipping**

industry—like most other industries—does have its share of shady characters who would rob you blind given the chance, but there are also hundreds of honest dropshippers who can help you build a profitable eBay dropship business.

Dropshipping is a complex topic that can't be completely addressed here. For that reason, I have written a detailed report on dropshipping called **SPECIAL REPORT: eBay Dropship Profits** that is available as a free download.

Here's to your success!

### **Resource Box**

The author, Tim Knox, operates [dropshipwholesale.net](http://dropshipwholesale.net), the website where you will find everything you need to start your own eBay dropship, wholesale or online sales business TODAY!

<http://www.dropshipmarketer.com/>

## 4. Why Most People Never Learn How To Really Use Dropshippers



By Armand Melanson

This is something I get email on all the time - people will say that they have checked out a dropshipper then gone to compare prices at ebay & found that the ebay prices are almost the same as the dropshipper's?

So let me clarify the right way to use dropshippers right here & now. I'll quote from [www.dropship-suppliers.com](http://www.dropship-suppliers.com) where I talk about the difference between wholesalers & dropshippers:

“One mistake even some experienced online sellers make is to try selling products that are already over-saturated online. When you use a dropshipper, you will not be getting the same price on an item as if you were buying a container load. That's just common sense. But many people somehow think that a dropshipper will provide them with the same cost on a digital camera as WalMart gets when they buy 10 truckloads. Ain't gonna happen...”

“So the key to using dropshipping right is to use a solid repeatable process for picking & testing what you're going to sell. It means setting up with reliable dropshippers & testing their products quickly in order to establish the good sellers one product at a time. It means uncovering niche markets & staying away from things that compete with 10 ton gorillas like WalMart. That's a big part of what I teach in the Ultimate Dropshipper. The good news is that there are millions of niche markets just waiting to be mined & plenty of opportunity to make money.”

There are 2 key things in this:

**1)** You cannot sell successfully to a market that is saturated - there is simply too much competition! So when you're trying to decide what to sell, stay away from anything you

## How To Start and Operate a Drop Ship Business: Make Your Fortune Drop Shipping

can buy at chain stores like WalMart or Sears. The more specialized a product is the better. Look for oddball products that are not in the mainstream - these are products that will be much easier to sell online because you will be able to tap into a smaller but much more 'targetable' market - remember, if you can't reach the people who want what you're selling, then you will not sell. That's marketing - connecting a prospect with what they want & are willing to pay for. It doesn't matter whether you like the products you sell or that they be appealing to you personally. They just have to be profitable.

Of course if you can mix your interests/hobbies with what sells then great. But don't get caught up in trying to make your hobbies into a business when other things can generate much more profit. Make your business your hobby - profitability is what counts.

**2)** Use a structured process to test potential products so that you can quickly build your business one product at a time. The person who compares the dropshipper price with the ebay price has got it only partly right. They looked at ebay only - is that where most people buy online? Nope. Damned if I can find the Jupiter research stats I saw just the other day on e-commerce! It showed that ebay gets a ton of traffic but that 75%+ of people buying online were buying from websites they found through search engines or other online marketing means.

So anyone prospecting a product to sell online has to go farther than ebay to determine if the product is viable. Check Google, Froogle, Yahoo, & ebay. Something that might not sell on ebay might do well from your own website & vice versa.

As well, although someone might be listing at ebay for a lower price, are they actually selling? I often see products sell for higher than other people are listing. This can relate to better product presentation, keyword usage, feedback issues, auction or listing format, etc.

Always use the advanced search feature at ebay to check completed items on anything you are thinking of selling - this will show you how many auctions closed & at what price. Check the auction details for those sellers who are selling & getting more bids. What are they doing to be successful? Do the same thing...

I use Google Adwords ( Google's payperclick feature ) to test products all the time. In less than 24 hrs. you can find out if your product idea has legs - you can even be making profit!

My trick for speeding up the process of making a product available online is to use a simple shopping cart system like MyShopKart

<http://www.yenommarketinginc.com/buy/MyShopKart.html>

and there are plenty of other providers out there. The key is to establish a process that allows you to easily publish & test products. Here's an example of a product I am testing -

[http://www.wholesale-dropshipping.com/product\\_info.php?products\\_id=275](http://www.wholesale-dropshipping.com/product_info.php?products_id=275)

## **How To Start and Operate a Drop Ship Business: Make Your Fortune Drop Shipping**

So far the results are not great & I'm not going to waste much energy on this product. In 6 months, I'll give it another spin - this is new technology & a little ahead of the curve. The point is that it's a piece of cake to test products this way.

The other thing is that you might have to research many products before you find a good one - I went through about 30 products one morning this week until I found one that looked promising. When I actually tested the product online, it sold right away & I am betting that it will keep selling. I get prices from a dropshipper then I just run through everything they have. If I find nothing, then I move on. If I discover some products that have potential, then I test them online. I keep the ones that sell & dump those that don't. It's that simple.

So be patient & diligent about researching & selecting products - I guarantee you will find some profitable niches...

I talk about all this in much greater detail in [The Ultimate Dropshipper](#) so check it out [dropshippersuppliers.com](#) if you want the whole enchilada on Internet selling.

### **Resource Box**

Armand Melanson is the author of [Ultimate Emarketing & Dropshippers Guide](#) [dropshippersuppliers.com](#) , where you learn how to setup your own eBiz for peanuts and use dropship suppliers to provide everything you sell online.

<http://www.yenommarketinginc.com/buy/dropship-suppliers.html>

## 5. Bonus: Free E-Books

Get your copy of Chris Malta's free e-book  
Starting Your Internet Business Right !

<http://www.yenommarketinginc.com/dropship-source-directory.html>

Get your free copy of Tim Knox's  
SPECIAL REPORT: eBay Dropship Profits

[www.dropshipauctioneer.com/ebay-dropship-profits.html](http://www.dropshipauctioneer.com/ebay-dropship-profits.html)