



# 12 Tips For People Who Want To Make Money With Drop Shipping But Can't Get Started

Presented by...



**But first... the legal stuff!...**

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## Chapter 1

### What Not To Sell On eBay

#### **1. Items under \$10**

It sounds like a great idea - after all, everyone likes a bargain don't they? But items that sell for under \$10 have one big problem: Shipping. It's quite likely that the shipping for the item will cost more than the item itself and this can be very off-putting to buyers. For example, if the item costs \$4.50 and shipping costs \$6, the total cost for the item is \$10.50. If the buyer can purchase the item at their local store for \$8, then this suddenly becomes a much better deal. For small items and accessories, the way to get around this problem is by grouping the items together, such as sets of 6 golf-balls or 5 tea towels.

#### **2. Products everyone else is selling**

Many sellers think that the best way to get started on eBay is to sell items that everyone else is selling. Surely those super hot items such as iPod, cell phones, PSP and so on will be a quick route to riches? Well, no. The sellers who are already selling these items are not only more established on eBay - and thus familiar to and trusted by buyers - but they will be able to buy wholesale stock in larger bulks lots than you will, so their prices will always be better. Thus it will almost certainly be very difficult for you to make a profit in a market that is already well supplied.

### **3. Things you love...but no-one else does**

Hobbies can be a great way of making money, but only if plenty of other people are interested in them too.

Another scenario is when you find a product that you think is absolutely wonderful and could be the next best thing...but no-one seems interested in buying it. Oh well you think, it's only short term, eventually they'll learn about my item and start flocking to buy it. Ah, no they won't. It's lonely work trying to educate people on the benefits of a product all on your own. As fabulous as the product might be, it's nigh-on impossible to start a trend on your own. To make money from a trend, you need magazines and newspapers, word of mouth and television to do some of the work for you.

### **4. Difficult items to ship – such as fragile china and plants**

Now I'm not saying that these are bad items to sell altogether. Many sellers do very well from these items. But I don't suggest you sell such difficult items when you are first starting out. Both these items have an above-average shipping risk, particularly if not packed properly. As a new seller, any negative feedback you receive at this early stage could be especially damaging to your career.

### **5. Very large items**

Thinking of starting with furniture or pianos? Unless you already have experience selling and shipping these items, then it might be wise to start with

something smaller. Shipping such large items is a major operation. Not only that, these items will sell less often than mid-priced items as they won't attract the same number of impulse buyers.

## **Chapter 2**

### **Hot Wholesale Tips You MUST Follow!**

#### **1. Thorough market research is the foundation for success**

Meticulous market research doubles your chances of making a tidy profit from the wholesale goods you buy. Start off with a list of 5-10 different ideas. Then check completed listings searches on eBay to see what the item generally sells for and the sell-through rate for each one. Use [Google's free keyword tool](#) to find out how many people are searching Google for your product per month. You can cut this figure in half for Yahoo. Add the numbers together. If there are ten thousand or more searches per month for an item, this indicates a healthy market.

#### **2. Calculate the REAL cost of your item**

One big reason why people fail at the wholesale game is that they don't do the numbers. In other words, they don't treat wholesale like a real business. To accurately discover your true profit potential on an item, you need to add the shipping cost and insurance, eBay fees (or equivalent for other advertising), Paypal and/or credit card fees (these can be a real profit killer), packaging costs and labor involved packaging, and any storage costs to the cost of your item.

### 3. Verify ALL suppliers found on the Internet

Getting caught out by scammers is a common stumbling block for people new to wholesale. If you are searching for suppliers off your own bat (rather than using a wholesale directory), it is CRITICAL to check authenticity before making a purchase.

Always take the time to:

- Check that the website gives a full business name and a registration number.
- Check for a legitimate contact telephone number - this will involve ringing the number. Do not accept a mobile phone number alone. All real companies should have a land line number.
- Go to <http://www.whois.sc/> and search for the name of the website. A legitimate company will have a domain expiration date in several years time. Most legitimate companies reserve their domain names for 3-5 years or more at a time.
- AVOID suppliers who won't agree to use secure payment methods such as Escrow.com, Credit Card and Paypal Verified.
- Still uncertain? Ask other sellers what their experiences have been with the company you are interested in on eBay forums.

### 4. Chinese suppliers give the competitive edge

Chinese suppliers are an essential source for anyone wishing to make money selling online. Manufacturing costs are currently extremely low in China, thus it is the secret to gaining a competitive edge. Dealing with China does have risks,

but these can be alleviated if you place a small order first, use secure payment methods, get shipping insurance for 110% of the cost of the items, and use suppliers with a good reputation.

### **5. A common stumbling block for liquidation and closeout**

Always obtain the reasons for liquidation and closeout sales before you buy. Liquidation and Closeout sales can be a fantastic source for cheap products, but you usually have to buy by the pallet load and these can sometimes include broken or returned goods that aren't in sale-able condition. To be safe, ask specifically whether broken items and returns are included before you buy.

### **6. Negotiate on shipping and save**

Shipping economically is critical to importing success. Profits can easily get swamped in shipping costs, so take time to get a good deal on shipping. If possible, negotiate CIF (Cost, Insurance & Freight) or DDP (Delivery, duty paid) shipping terms with your supplier as this takes much of the risk - not to mention organization - off your shoulders. FOB (Freight on Board) is the most common shipping term, but don't be afraid to negotiate for better.

### **7. Drop shipping - can you really afford it?**

Drop shipping sounds great in theory - someone taking care of packaging, wrapping and postage - but it can be difficult to profit from this method. By the time you add in eBay fees and any other costs, you may find it is not worth it.

## **8. Warehouse storage checklist**

Asset management is the most important consideration when locating warehousing to store your items. Believe it or not, items can go missing while in storage, causing massive disruption for you. When comparing warehouses, ask questions specifically on how you will authorize the release of stock (by phone or fax?), what will happen if you need to cancel an order, frequency of damage claims, dust management, and whether there is an area you can use to photograph items.

## **9. Power seller wealth**

It's a fact - eBay power-sellers are able to command higher prices for their items than ordinary eBay sellers. To get the best profits on your wholesale items, you need to aim to get and maintain power-seller status.

## **10. Growth with a website and eBay store**

The way to increase profits from wholesale is to build your own website and/or open an eBay store. This allows you to cross sell items plus it also makes it easier for people to find what they are looking for. For example, if you sell shoes, then customers can easily navigate to browse all black shoes in size 9 and so on. Always include a sentence at the bottom of your descriptions encouraging visitors to check out your other listings - most people will.

## Chapter 3

### Sourcing Items to Sell

I've got my idea - now where do I go?

Not sure where to turn to find your stock? The best idea is to find a couple of supply sources for your items so that if one dries up during a busy period, you won't be left high and dry.

#### **1. Garage Sales**

Garage sales can be a great opportunity to pick up potentially valuable items selling for pennies. However, they do require a regular time commitment and a lot of patience! You'll quite likely travel around 5-8 sales before you find anything suitable. Going around garage sales requires planning and rising early. The best idea is to look through the morning papers as soon as they arrive. Plan your route to make most efficient use of your time so that you are not doubling back. Make a list of items you would like to find and the maximum amount you would pay to make a profit. And finally, don't forget to take cash! Take small bills and some change as most garage sale owners only have a small amount on hand. It's a waste of everyone's time if you have to race down to the ATM machine. Garage sales can be useful sources, but they rely on luck and have a high time cost per item. Thus, serious sellers don't rely on garage sales as their sole provider.

## 2. Liquidation sales

Liquidation sales are a fantastic way of finding brand-name items at enormous discounts. Check your newspapers and look for sales in your area. Before buying from a liquidator check to see why the goods are being sold. Most of the time liquidation sales take place for legitimate reasons such as company bankruptcy, store relocation and so on. However, it always pays to check as you don't want to end up with a pile of stock you can't shift. Another thing - don't bother with liquidation stock that is outside the scope of your business. There is no point buying liquidation bicycle equipment just because it's cheap when you only sell jewelry.

Alternatively, you can find liquidation sites on the Internet - one such site is <http://www.liquidation.com>. These sites make it extremely easy to buy liquidation, particularly if you live in an outlying area. One thing - just make sure that the possibility of damaged stock and used or returned items included in the lots is small or non-existent.

Liquidation sales are a great way to supplement your stock, but they can't be relied upon to restock the shelves.

## 3. Estate sales

Estate sales can be a goldmine for anyone selling jewelry, vintage clothing, books, furniture and so on. Once again, you need to have an idea of how much you can afford to spend before you go. Don't forget to buy items your customers would like, rather simply getting caught up in your own enthusiasm for what is for sale. Note that estate sales run by an agent are unlikely to garner the same

bargains as one run by the family.

#### **4. Clearance stores**

At certain times of the year, most major stores will have a stock clear-out sale. Some of these sales give you the opportunity to buy goods 50% or more below the regular retail value. This can be a fantastic opportunity to find items to sell - or replenish your stocks. Good clearance sales can be equal to or even below a good wholesale price. Don't forget to overlook small hobby shops in your area with clearance sales either. If you know the store is going to have clearance sales regularly, then this can be one method of getting stock.

#### **5. Wholesalers**

Wholesalers are the most reliable method of sourcing goods. While the initial process can be time consuming at first, it is effort that pays off. When you have found a wholesale, you now have certainty of when you are going to receive stock and how much you will have to pay for it. The best way to find wholesalers is to use a directory. Directories remove the risk of dealing with illegitimate wholesalers and give you some peace of mind when dealing with wholesalers and manufacturers from China. Wholesalers should be the mainstay behind your product sourcing.

## Chapter 4

### Protecting Yourself from Illegitimate Wholesale Suppliers

While many fantastic wholesale sources can be found online, there are also a huge number of sites developed specifically to scam sellers looking for a good deal.

So how do you tell whether you are dealing with a real wholesale supplier?

First of all:

- A supplier may be selling fakes of big name brands but this doesn't necessarily mean he is out to scam you. There are many suppliers in China and other countries selling fakes, but as long as you realize what you are buying, that is not a problem in itself.
- The supplier may say they can only accept Western union and wire transfers as payment. These are insecure payment methods, but for Chinese suppliers, these are often the only two options available as credit cards (and therefore Paypal) are almost impossible to get. You should always take the precaution of ordering only a small amount when dealing with a supplier who only takes Western Union and wire transfer for the first time, but many legitimate manufacturers and wholesalers use these methods out of necessity rather than because they are illegitimate.

## The Warning Signs

Warning bells should start ringing if you come across any of the following:

- Fake address - either it doesn't exist or it exists in a poor or residential area.
- No contact details listed on the website.
- When you call, the telephone is answered by an individual who does not identify himself on picking up the phone.
- You are not asked for a business or tax number.
- The company suddenly stop replying to your emails.
- Parts of the text or images on their site are copies from other websites.
- When you place an order, the company claims they do not have any stock, but want to receive the money before ordering any in.
- Your contact becomes shifty when you ask for a product sample

## Steps to Protecting Yourself

To find out whether you are dealing with a scammer, try these tips:

- Copy and paste some text into Google. If it is copied from another site, you'll soon discover it in the search results.
- Check that the website gives a full business name and a registration number.  
Ring them to verify the phone number given is good, but don't accept a mobile phone number as enough, all companies should have a land line number.
- As for a photograph of the stock with the company logo in the

background. Go to [www.coolwhois.com](http://www.coolwhois.com) and search for the name of the website. A legitimate company will have been operating for over a year (at least!) and their expiration date will be for several years time. Most legitimate companies reserve their domain names for 3-5 years or more at a time.

- Use secure payment methods such as Escrow, Cod and Paypal Verified whenever possible.
- Ask other sellers what their experiences have been with the company on forums.

## Chapter 5

### The Pros and Cons of Drop shipping - What is drop shipping?

Drop shipping is when the product distributor takes care of all the shipping for you. Rather than ordering stock in bulk, the stock remains with the distributor. Then, when you make a sale, you send an email to the distributor and they pack up the item and send it straight to the customer with your company label on the box.

Drop shipping is a very popular option with sellers because it takes a lot of the grunt work out of selling on eBay. However, there are some major downsides to drop shipping - especially for new sellers.

Here's a list of the pros and cons of drop shipping so that you can make the right decision for your business.

#### **Drop shipping Pros**

- 1. No storage room required**

You don't have to fill up your living room with stock and packing materials! This is particularly useful if you are selling large items such as kit-sets, furniture, sporting goods, and so on.

- 2. No shipping costs getting stock delivered from the distributor**

Drop shipping means you don't have to pay a carrier to bring stock from

the distributor to your own storage area, which can mean big savings in the long term.

### 3. **Spend more time on other areas of your business**

You don't have to organize the packing and postage system, nor do you have to drive to the post shop each day to post your packages. This gives you a significant increase in time to spend on other tasks such as marketing and communicating with customers.

### 4. **No packaging required**

You save money by not having to order and store packaging materials.

## **Drop shipping Cons**

### 1. **Can be Costly**

You have to pay for the cost of the labor and materials involved in drop shipping. Generally this is between \$2 and \$5 per item. Many new sellers find that the additional costs of drop shipping greatly reduce their profit margins and sometimes nullify the whole operation. This is the main reason why drop shipping is not a viable option for some sellers.

### 2. **You are still responsible for any shipping problems**

So the item arrived damaged? Was there a shipping delay? You'll get the flak for anything that goes wrong with the shipping even though it is technically out of your control.

### 3. **Hard to find a distributor who will do it and do it well**

Many distributors will not drop ship because of the extra paperwork involved. Then there is the matter of checking up on quality standards to make sure your items are being packed correctly.

### 4. **Low stock levels may cause unhappy customers**

Your drop shipper won't necessarily tell you when they are running low on stock. If they run out and have to do a back order, you may end up spending a great deal of time placating a bunch of unhappy and impatient customers.

Drop shipping is a very appealing prospect for many sellers; however it is not always a realistic one. Despite the hassle, 'doing it yourself' can often be a more sensible option financially, especially for new businesses.

## Chapter 6

### How to Find Wholesale Sources for your Product

Any seller serious about creating a long-lasting profitable business will realize the importance of finding a good wholesale source.

Unfortunately, it isn't the super-quick task most people would like it to be.

Wholesalers aren't exactly squabbling over sellers; indeed, most don't make any effort at all to attract small to medium size businesses. Why? Because they are doing just fine selling to large retail stores with multi-million dollar orders.

So how does anyone find a good wholesaler then? The key is to do a lot of research. Begin with keyword searches in search engines using 'wholesale' in front of or after the name of the product you are looking for. Remember that there is usually more than one way of referring to a product. While you may be searching for 'throws', the wholesaler may be listing them as 'blankets', 'covers', and 'home decor blankets'. Or they may even refer to them by the name of the fabric they are made out of.

[Ebay](#) can provide some fabulous wholesale buys also. In fact, there is an entire category dedicated solely to wholesale lots! Just search for the product you are looking for with the keyword 'wholesale' or 'lot' in the search string.

If you still can't find what you are looking for, then try an online wholesale directory. Directories take a lot of the leg work out of finding suppliers. Good directories will thoroughly research all the contacts they recommend, removing

the risk that you'll end up dealing with a fraudster. While directories don't automatically point you to the best supplier with the lowest prices for your item, it will give you a starting point.

Another way of finding wholesale suppliers is by contacting the manufacturer directly for the product you are interested in selling and asking them who their wholesale distributors are. This is a slightly scary option (particularly if the manufacturer is in a non-English speaking country!), but it can be extremely beneficial in the long term.

If you live in a big city, trade shows are possibly one of the best ways to make wholesale contacts. A trade show is where related industries gather to showcase their products to potential buyers. Trade shows are not open to the general public, only to other businesses. Not only can you sample the quality of the product at a trade show, you can also talk directly to the manufacturer or product creator! Just make sure you come prepared and don't waste their time with questions you could have found out by reading the brochure!

Finally, it's important to realize that most wholesalers adjust the price per unit according to the order of the quantity. For example, throws might be \$10/unit for an order of 15-30, \$9/unit for 30-50, and so on. This means that as a small business, you might not be able to get the prices you were hoping for at first. It also explains why eBay power-sellers are sometimes able to retail items for prices below your wholesale price. Once again, this emphasizes the importance of establishing a niche where there is less competition.

## Chapter 7

### How do I Find Something to Sell?

Many people wanting to start an eBay business spend a lot of time fretting over what they will sell. Perhaps these questions are familiar: Where do I find ideas? Should I sell the most popular items? How do I know a good idea? These are important questions everyone faces.

eBay already contains so many items for sale that some sellers feel overwhelmed from the start wondering how they can possibly find a product idea when the market appears to be full anyway.

So where should you start then?

#### **1. Your hobbies**

This can be a great way of establishing a niche. Perhaps you love embroidery or making model airplanes? Chances are a lot of other people share this passion and are looking for related supplies. Crafts and hobbies is big market - however, before you jump in headfirst, make sure you do some research to back up the feasibility of your idea. eBay is a numbers game and no matter how great your idea is, it won't work if not enough people are interested. So be sure to use the completed listings search and test the market with some of your own supplies first.

## **2. Listen to what your friends and family are talking about**

Sometimes the best ideas can arise from your friends and family. One seller says she overheard some women at the table next to her talking about the trouble they were having finding a particular brand of baby slings. This got her thinking, and, after a bit of research, she realized they were a foreign brand and hard to find in the USA. A wee bit of research later and she had found a supplier and was successfully selling online. So keep your eyes and ears open! If people you know are looking for a particular item, chances are others will too.

## **3. Research newspapers and magazines**

Newspapers and magazines can provide a ton of information on trends and styles. Just browsing the headlines can often be enough to spark a new idea. Try sitting down with a pen and notebook and skimming the pages of popular magazines and daily newspapers. You should have a list of at least 10 ideas by the end.

## **4. eBay Seller Central**

eBay itself has a fantastic resource in the Seller Central area 'What's Hot'. Every month, a list of super hot, very hot and hot items are published. This is a great way to find ideas but remember that everyone on eBay also has access to this information! The merchandising calendar is also a useful resource.

All successful sellers sell several products, rather than putting all of their eggs into one basket. Not only can trends change with the wind, but some products are only popular during a particular season. For example, dehumidifiers are more popular during winter than summer, while lawnmowers are super hot in

spring and have a practically non-existent market in the winter.

### **5. Find out what your buyers are buying**

A good way of expanding your product range is by 'spying' on your buyers.

After making a sale, check your buyer's feedback and find out what other items they have been purchasing recently. This will help you get to know what your target market are interested in and expand your range accordingly.

Finding something to sell can seem daunting at first, but I guarantee that once you think of one idea, plenty of others will quickly follow!

## **Chapter 8**

### **Expanding Your Online Business By Building a Website**

As business grows, it can be a good idea to support your eBay sales with a website.

The first step is building a web presence outside of eBay by creating your own website. Building a website is not a difficult task. These days you don't necessarily need the know-how to do it all yourself - there are plenty of people who will do it for you. Turnkey stores are an option, or you can have a designer create the basic design for a website and then purchase shopping cart software separately.

Either way, you need to think carefully about branding at this point. Branding is recognizable design features that are carried across your entire business from product to business cards, to your website and brochures.

A brand helps your customers associate your products with an over-riding concept and identify them as part of their lifestyle. For example, some brands are associated with natural and organic concepts while others are associated with fine quality or a particular lifestyle. When establishing your online business, take care to make sure the branding you have already established on eBay remains consistent across your new website.

There are thousands of stores on the web, so to be successful, you'll need to do something to make people visit your site and stay there for longer. One of the

most effective ways of doing this is by providing people with information about your products. For example, if you sell small kitchen appliances, why not add articles to your site on how to use each appliance, tasty recipes to make with each, how to fix problems, and so on? Not only are you giving your users a reason to come back to your site, you are also increasing your chances of being placed in the top search results for keyword searches relating to the items you sell. Search engines give higher priority to good quality, unique information, so this is an effective way of keeping rankings high and getting traffic from organic search results.

Another way of getting more traffic to your site is by carrying out link exchanges. Just remember to limit yourself to related sites, otherwise you may find that you end up with a lower rather than higher search engine ranking!

Linking to sites not related to the content on your site can actually give you a lower search engine ranking, so stay away from sites that offer hundreds of links for a fixed price. The best idea is to link to other sites that relate to what you are selling. For instance, keeping with the appliance example above, a site such as this could exchange links with sites selling china, cutlery, linen or recipes.

Finally, you can drive traffic to your site through advertising. Your eBay listings are one way of advertising if you add your site URL to your About Me page.

[Google AdWords](#) is another very effective way of getting traffic to your site. A targeted campaign can do wonders for your website.

Done well, a website should increase overall sales, increase traffic to your eBay listings, and increase your reputation as an expert in your area.

## Chapter 9

### Top 10 Tips for Selling on eBay

#### **1. Start Small**

If you're anything like me, once you have a good idea you want to put it into action immediately! Although you probably know in theory that any business takes 12-18 months to become established, somehow you still hope that you can get there in 2!

But, one mistake entrepreneurs consistently make is to throw their life's savings into buying case loads of stock - before they even know how eBay works. It's easy to be lulled into a false sense of security on eBay after buying just one or two items. For buyers, eBay is meant to be user friendly. For sellers, things are a little more complicated. All power-sellers agree that there are new things to be learned all the time and you'll be surprised at how much more you know after several months selling small, inexpensive items.

Be prepared to spend the first couple of months buying and selling a variety of inexpensive items you can purchase with your loose change. Keep track of what sells best and work on narrowing down the possibilities to a few strong products. By this stage you will also have experienced the best and worst situations eBay has to offer, so you will be much better prepared to crank things up a notch.

## **2. Respond to questions as quickly as possible**

Most people use the Internet because it provides what they need instantaneously: information, contacts, gifts, advice, and so on. Therefore I can't emphasize enough the importance of checking your emails as often as you can and replying to queries as quickly as possible.

## **3. Organize your time and keep to a schedule**

If you are holding down a full-time job and working after hours to get your eBay business in motion, then it's vital to have a list of what you need to get done and stick to it so you make the most of the precious time available. Once you are working on eBay full-time, this becomes even more important! It's all too easy to reach the end of another day and find that you have got hardly anything done. So keep a planner or diary and make a timetable of what needs to be done and when.

## **4. Do take professional photographs from the beginning**

The old saying remains as true as ever: A picture speaks a thousand words. A bad picture can look unappealing and unprofessional. Plus, if the buyer can't really see the item properly, they may be put off bidding because they can't tell if it is what they really want. So right from the beginning, work on creating the most professional pictures you can, even if it means spending money on a photo tent and better lighting.

### **5. Don't put all your eggs in one basket - use other ways of selling apart from eBay**

eBay is not the be all and end all of selling online - although it is one of the best ways to start. As soon as you can though, try thinking of other ways you can increase your web presence. Perhaps you could place a classified ad in Yahoo or write about your auctions in a MySpace blog. There are plenty of cheap and easy ways to build up your profile.

### **6. Do keep a constant look out for other products to sell, while also monitoring carefully what you are already selling.**

Don't become complacent! Even if your items appear to be stock standard - such as chairs for instance - make sure you keep looking at what other sellers are doing, emerging trends, magazine articles, home decor programs, and more. There may be another related product opportunity just waiting to happen that you completely overlook if you keep your blinkers on.

### **7. Do keep in contact with your wholesale supplier regularly to ensure you are aware of any stock issues.**

A back order can create a lot of extra work for you soothing customer's ruffled feathers. And if they want their order refunded, it costs you money too. So make life easier for yourself by regularly touching base with your suppliers and ensuring communication lines stay open.

### **8. Do carry out regular keyword and market research**

Keyword research is the way to ensure your potential customers find you

successfully. Set aside some time each day for marketing and research to ensure that you're keeping at the top of your game.

### **9. Do use software to help organize your sales**

It's hard to part with the initial investment when the business is still finding its feet, but the right software will make life so much easier. My eBay quickly becomes unwieldy when you are selling more than 15 items, and software ensures that you avoid making costly mistakes, such as under-ordering stock, forgetting to ship to a customer, and so on.

### **10. Don't offer free shipping as a gimmick unless you can afford it**

Free shipping is a very effective way of attracting more people to your listings. However, before you consider offering free shipping, think carefully about your profit margins, how much your item weighs, and the fact that shipping will vary depending on how far away you are sending it. Offering free shipping is a good move if you can absorb the cost in your profit margin, but it could easily become crippling if you apply it to a variety of items of different shapes and sizes.

## Chapter 10

### Catching the Crooks:

#### Is Your Wholesaler Dodgy or Legitimate?

Fleeced, ripped-off, cheated, conned. We're all afraid of losing money to wholesalers who turn out not to be the real deal. The horror stories can certainly be very off putting - especially to those just getting started. The trick is to spot it and stop it before it's too late!

So what are signs that you're dealing with a crook?

In our experience, there are 6 particular indications that you may not be dealing with a legitimate wholesaler:

- The wholesaler doesn't sound business-like or professional when answering the phone. For example, he will answer with a plain 'Yes?' or 'Hello?', without identifying himself or the business name.
- The wholesaler doesn't request your business license or sales tax ID during the initial contacts. Most true wholesalers will require one of these. While this is not a hugely important deal, if you are looking at dealing in large amounts you will need to get registered and should check that the wholesaler is registered as well.
- The wholesaler gets shifty when you request a product sample. Most wholesaler are only to happy to offer a sample of their product (usually at

a higher price) so if they do not offer this be careful and question their reasons for not offering one.

- The wholesaler's claims to take a secure form of payment (credit card, Paypal etc...) but later turns around and says they only accept wire transfer or western union. Not all wholesalers that take western union and wire transfer are scammers, but this is the most common way scammers operate and you should always steer on the side of caution if you are asked to pay by these methods when not having dealt with or knowing the person first.
- Their website offers no physical address or contact phone for you to get hold of them. Be blunt, ask them for a contact address and phone number and if it is OK if you come in and have a look around their offices. If they are serious this will be no problem at all for them.
- They claim they don't currently have stock in and still expect you to pay up front. If this has been happening make sure you get some photographic evidence of their stock with the days newspaper or something (while this doesn't always work, it means some one must have stock that they know

Although these are not hard and fast rules, you should certainly proceed with caution if one or more of the above apply to a new wholesale contact you have made. If you have any tips to add or past experiences then [we'd love to hear from you](#).

## Chapter 11

### Overcoming Problems When Importing From China

The prospect of importing goods from China is both exciting and terrifying for many sellers. On one hand there is huge potential for making money from reselling wholesale goods purchased very cheaply. But on the other hand, language and cultural barriers present a number of difficulties to sellers. The main issue that everyone is worried about is payment: How do I pay? Will my money disappear?, and so on.

The difficulty lies in the fact that most Chinese wholesalers will only accept Western Union and wire transfer payments. These are not secure payment options so they *must* be treated with caution. However, the main reason why these are the only payments accepted is that they are in fact the only payment methods available to the Chinese. Getting a credit card in China is an extremely difficult task with a lot of government regulations and strict criteria for getting a card.

So then, despite the risks involved with using Western Union and wire transfer, these are the methods you have to use if you want to import from China with most suppliers. To minimize this risk, our advice is to start with a fairly small shipment of goods so you are not standing to lose too much money if everything falls apart. Then, as trust is established, gradually build up your order over time. On the whole, most Chinese suppliers are genuine, hard working people who want to establish a long-term relationship with you. They need your business, so

it's unlikely they'll try to deliberately screw you over! Another big issue for sellers importing from China is communication. It can be extremely daunting trying to negotiate complex business issues when communication is so difficult.

To get around this problem, we always ask a new contact for their MSN or AIM contact and chat with them online. They tend to be very friendly and enjoy talking to people who speak English as a first language (this helps them improve their communication too), plus it gives you a direct point of contact instantly.

With communication now established, you can proceed to ask questions and get them to send you pictures of stock and so on. Once we've built up a relationship, we then ask them to send me a sample order. For any genuine company, this isn't a problem and it allows us to see the quality of the product first hand. We can then be fairly certain that the company is trustworthy, and that this is the product we wish to import.

One thing we haven't talked about so far is quality. This can be another major concern for sellers who often have difficulty telling whether a brand name product is genuine or not.

In our experience, the vast majority of brand-name goods that come from China are either replicas or fakes. We strongly recommend that you assume that this is the case in the first instance. eBay is currently cracking down heavily on people selling fakes and it is not an area of business we suggest you get into!

Generally, we find that Chinese suppliers are best suited for cheap generic goods (they are manufactured there so you won't find cheaper anywhere else!) that can be sold at higher rates in Western countries. For example, some of the latest trends are pocket bikes, scooters and generic electronic goods. These goods do

not have to have a brand name in order to sell well and they can be purchased wholesale at very good prices if you are serious about importing from China.

This should give you a heads up if looking at dealing with wholesale suppliers in China! Remember, always keep an open mind, ask questions and do your research!

## Chapter 12

### Debunking the Myths of Wholesale Buying

Buying and selling wholesale goods is frequently viewed as a sort of 'get rich quick' scheme, where sellers can make enormous profits from very little investment or work. Three months after they started, people just don't understand why things haven't gone according to plan! There are four myths in particular that seem to lead would-be sellers astray time and time again.

#### **Myth #1: eBay is the best place to sell your wholesale goods.**

Now this is a particularly popular one. As the world's biggest marketplace, eBay has made its fair share of millionaires. What you don't hear about so commonly, is all the people who struggle to make a profit from eBay because 100 other people are selling the exact same products - for more competitive prices.

This is not a new situation. Supermarkets and large discount stores often run at a loss on some items in order to attract more customers. For small or new sellers, this is a deadly scenario.

The fact is, eBay is simply too competitive in some categories. Electronics, jewelry, designer clothing and computer games are all dangerous territory for the new seller. You won't stand a chance against established sellers who've already got a strong following and highly competitive prices.

So what should you do? If your product falls into these or any other highly

competitive category, I recommend shifting your focus to less competitive markets such as selling through classified newspapers in your local area.

While you won't be reaching audiences of the size that online auctions sites such as eBay provide, buyers that use these alternative mediums to purchase goods are 9 out of 10 times more likely to pay significantly more for products. Not only will your margins can be much higher, you'll also have far less competition to deal with.

It's also a good idea to try using eBay international sites such as [www.ebay.co.uk](http://www.ebay.co.uk) or [www.ebay.com.au](http://www.ebay.com.au), as well as other auction sites with less competition such as [www.trademe.co.nz](http://www.trademe.co.nz) and [www.ubid.com](http://www.ubid.com). I find that these sites give consistently higher margins compared to eBay US, and the number of buyers is still very high.

One advantage of eBay US however, is that the huge amount of competition makes it a brilliant place to pick up cheap as dirt goods to sell elsewhere! It's not uncommon to find best prices on eBay.

### **Myth #2: You can find all your wholesale sources online.**

The Internet provides easy access to a great many wholesalers these days, and it's a quick way of making initial contacts. However, it certainly doesn't provide access to all wholesalers. If you're serious about finding the best wholesale prices for your products, then it pays to check out other sources as well.

Try looking through trade magazines such as Closeout News and Wholesale Merchandise, to name just a few. With less people vying for stock, there's a good chance you'll find some exceedingly good prices tucked away in the corners!

And another thing, in my experience, building up personal relationships with sellers is absolutely essential for getting the best priced goods. So whether you've found your supplier online or in a magazine, make a phone call, start up an email exchange, or have regular chats on MSN and get to know them.

The time you spend building a relationship will not only mean you're in a stronger position to get better prices, but, because you know your supplier, you'll be more confident that things will go smoothly when you finally do place your order.

**Myth #3: Pricing research is unnecessary and takes up too much valuable time.**

Whenever I mention this one, people always chorus: 'But of course we know research is important!' Well why don't you spend more time doing it then?

The amount of people that pass over pricing research constantly amazes me. Everyone always agrees that it is important to research prices, but when it comes down to it, they seem to think that they just 'know' how much items cost wholesale, and how much profit they are likely to make later.

But how can they just 'know'? This is not information we're given at birth!(Or perhaps I'm just unlucky!) Prices are constantly in flux, and carrying out some decent (and yes, time-consuming) research is essential to a successful business for two important reasons:

1. Firstly, it's important to get a good idea of the average resale price for your item before you get started. For a number of popular items (DVDs, electronics and computer games in particular), the profit margins tend to be very low.

Despite this, many sellers just see the popularity of the item and dive in head first. Overly-saturated markets just mean a hell of a lot of work for very little in return. Throw big, established sellers into the mix and it's almost impossible to compete. But you won't know this until you research it first! So visit auction sites, read classified ads and any material you can get your hands on until you have a good idea of exactly what you're going to get.

2. The second reason for research is that your preconceptions of value may be completely wrong. People have a tendency to believe that 'wholesale' automatically means a fifth of the retail price. This is usually totally out of line! Some sellers have emailed me in shock when they realize that they actually have to spend a significant amount of money on their wholesale stock. 'I always thought that purchasing a container of wholesale plasma TVs would only require a few hundred dollars investment, but it looks more like several thousand,' wailed one seller recently, 'Am I looking in the wrong place?' Well, I'm sorry to shatter your hopes and dreams, but buying wholesale doesn't always mean huge profits for very little investment. For some items, such a scenario is possible - but only if you do the research!

#### **Myth #4: Niche items can be bought from individual wholesalers.**

Finding a niche item that no-one else is supplying at a competitive rate is every seller's dream. However, if you think you're going to be able to find a wholesaler supplier for the item by doing a quick Internet search for 'Left-handed Guitar necks' then you couldn't be more wrong.

Niche products are hard to find precisely because they aren't wanted by absolutely everybody. Thus, finding a supplier will take quite a bit of work on

your behalf as these items usually can't be purchased from individual wholesalers. Instead, you'll have to contact large wholesalers, or even contact the manufacturer directly.

It'll be a lot harder than you think, but if you've done your market research effectively and you take the time to find a good supplier, then your hard work will pay off.

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### **Additional Resources:**

[Zabubli.com](#) – Dropshipping. Business. Unscripted. “You Too Can Drop Ship Like Me!”. Because Dropshipping is complicated enough.

[Open Directory](#) – Business: Wholesale Trade

[Zabubli's Top Secret Source](#): This is one of the fastest growing product sourcing portals on the internet. It contains a database of drop ship, wholesale, closeout and manufacturing suppliers offering thousands of product suppliers to consumers! As a visitor of Zabubli.com, you are allowed to sign up for unlimited and lifetime access to the completely search-able database of products and suppliers. The database is regularly updated, ensuring that the latest retail products are always available for purchase and they carry the BBB (Better Business Bureau) Reliability Seal. [Click here to visit their website.](#)