

# DROPSHIP DETECTIVE

LEARN THE SECRETS OF DROPSHIPPING SUCCESS!



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# Introduction

Starting any type of retail business is never an easy task. It typically requires a large outlay of cash in the beginning to purchase stock, invest in warehouse or store space, and handle initial overhead costs.

With all the other expenses required to start a business, buying stock is often the straw that breaks the camel's back with regards to finance. It's often the largest expense of any retail startup, and sometimes it's just too much and the business fails to get off the ground.

Plus, there's always the risk that you'll spend thousands of dollars on products that never sell, and you'll be out of all that money and stuck with items you can't get rid of.

But there is a better way!

Instead of spending a fortune upfront on product, and then having to find warehouse space to store it, and figuring out the logistics of packing and shipping it to customers, why not just use dropshipping?

Dropshipping will allow you to get started with little to no upfront investment, while still being able to offer customers the products you want to offer!

In this guide, you're going to learn the basics of dropshipping, and how to find the best suppliers.

So let's get started!

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# What Is Dropshipping?

Imagine setting up your own online store with dozens, hundreds, even thousands of products without having to spend a single dime upfront on inventory.

Instead, you find products on another website (let's use Amazon in this example since most people are familiar with it), add products to your site, and price them higher than they are being sold on the original site (Amazon).

Let's say you are selling a frying pan that sells for \$14 on Amazon. You price it at \$20 on your website. When a customer orders it, they pay you \$20. Then you go to Amazon and order it for \$14, having Amazon ship it directly to the customer, and you keep the \$6 difference.

Pretty slick, right?

Only dropshipping doesn't require you to pay full retail price like ordering from Amazon. Instead, you can often get prices that aren't all that much higher than true wholesale prices.

Of course, you have to be careful. Some so-called dropshipping companies are actually selling at or very near retail, so it's nearly impossible to make a profit. Sometimes they charge a monthly or yearly fee to access their inventory, which cuts into your potential profits even further.

You also have to make sure the company isn't going to be slow with shipping, which could seriously harm your reputation.

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Dropshipping has a lot of pros and cons, so let's take a look at those before we continue.

## Pros Of Dropshipping

- **Lower Upfront Investment** – Because you don't have to pay for inventory upfront, your initial business startup costs are much lower.
- **No Warehouse Space Needed** – The dropshipper is the one who deals with inventory, so there's no need to rent a warehouse or take up space in your home to keep your inventory.
- **No Shipping Hassles** – The dropshipping company also handles packaging and shipping products, so that takes a lot of work off your hands, freeing you up for other tasks, like marketing, and sourcing other products.
- **More Products** – If you don't have to worry about whether a product will sell or not because you aren't paying for it upfront, you can take more liberties with the products you add to your store. If a product doesn't sell, the only thing you've lost is the small amount of time it took to add it to the store, and you can remove it just as easily.

## Cons Of Dropshipping

- **Low Profit Margins** – Because most dropshippers are not true wholesalers, you'll find your profit margins are lower than they would be if you bought inventory directly from wholesalers. In

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fact, there's often a middleman between the wholesaler and dropshipper, which cuts into profits even more.

- **Delivery Issues** – Because you will have no direct control over shipping, there may be times when customers don't get their orders on time, or receive the wrong product or damaged merchandise. Because they bought the item from you, they will expect you to be responsible, and they aren't likely to accept the fact that you used a dropshipper as an excuse. In fact, they'd likely just see that as a reason not to order from you again.
- **Inventory Issues** – You may also find that your dropshipper's inventory control system doesn't sync with your own, which means there may be times when a customer orders a product from your site that is not currently in stock with the dropshipper. In this case, you'd have to either source the product elsewhere very quickly, or issue a refund and an apology to the customer.
- **Higher Shipping Costs** – Because you won't be able to make deals with shipping companies for volume discounts, and because customers may order products from multiple dropshippers in a single order from your store, you may run into shipping issues. Shipping costs could eat into your profits pretty badly if you aren't careful.

It's a tradeoff, really. You sacrifice larger profit margins and control over inventory and shipping for a lower upfront investment and less work overall. It's up to you to decide if dropshipping is right for you and your business.

# How Dropshipping Works

Before you can truly understand how dropshipping works, it's important to understand the basic supply chain. Products you see in stores often go through three, four, five, or even more companies in the supply chain before they arrive in stores.

## Manufacturers

Manufacturers are the first step in the supply chain. (Unless of course you count the companies that supply the raw materials, but that's a different arm of the supply chain.)

Manufacturers create the products, but most of them don't sell directly to the general public. Instead, they typically sell through a wholesaler, or sometimes another middleman brokers the sale of the product from the manufacturer to the wholesalers.

Occasionally, manufacturers may sell directly to retailers, but they usually don't deal with selling direct to companies.

## Wholesalers

Wholesalers are middlemen. They buy from the manufacturer and resell at a higher price to retailers. They usually don't make an enormous profit per item, but they make their money by selling in bulk.

Wholesalers may offer dropshipping, but usually they just sell to retailers.

## **Retailers**

Retailers buy their products from wholesalers, or directly from manufacturers. They sell directly to the public, often at fairly large markups. They may offer dropshipping, but because they are selling at full retail, they usually don't.

## **Dropshippers**

Dropshippers usually fall somewhere between the wholesale and retail areas of the supply chain. They purchase from wholesalers, or sometimes manufacturers, but sell at near retail prices.

Dropshippers cannot sell at wholesale prices unless they manage to buy their products directly from manufacturers, which is relatively rare. They usually exist on fairly slim profit margins, because they have to sell below retail in order for those who do business with them to also make a profit, and yet they have to buy at the same wholesale prices as most retailers.

# Avoiding Scams

Before we get started talking about finding quality dropshipping sources, it's important to note that there are companies out there that are borderline scams, and others that are nothing but scams.

These companies prey on people who don't know any better, claiming to offer wholesale prices and actually selling at retail, or even higher, or not even shipping anything to customers at all.

There's no way to be certain to avoid scams, but there are a few things you can do to lessen your chances.

First, as a general rule, say no to monthly fees. Those companies that offer monthly fees usually make most of their money on those fees, because they realize that customers will have a hard time finding products to sell that they can make a profit on. Thus the average customer won't even order anything at all, and the company still makes money via that fee.

Keep in mind there are a few legitimate companies that do require participation fees, but those will usually be easy to spot because they'll have more positive reviews online than other companies, as well as more recommendations.

Next, be sure to check the company's prices to be sure they aren't selling at or very near retail. If they are, you're not going to be able to make any money with them.

Finally, be sure the company doesn't just sell directly to the general public. If they don't require you to apply for an account, often requiring a business license or tax ID number, they usually aren't legit.

# Investigating Companies

There are so many scams and near-scams out there that it can be quite tricky to find a legitimate dropshipper that isn't going to scam you.

Even if you find a legitimate dropshipper, you still have to make sure they have prices that will allow you to make a decent profit, and will provide fast shipping and quality service to you and your customers.

It's vital to check a company out thoroughly before doing business with them. The first step, of course, is to check for online reviews and check their Better Business Bureau report (if they have one).

To check for online reviews, try searching for things like:

- Company name scam
- Company name reviews
- Company name legitimate

These searches should pull up information about the company. If not, it probably either means they aren't bad enough to have a lot of complaints, OR they are so new that no one has filed any complaints online, yet.

Remember, **every** company eventually has **some** complaints. Amazon has been touted as having some of the best customer service there is via many sources, but they have thousands and thousands of complaints. No company is perfect.

Complaints may not even be founded. Sometimes it's the shipping company that causes the problem, and even when the company goes above and beyond to rectify the problem, the customer still insists it's the company's fault and that they are "scammers".

Sometimes the customer misunderstands some element of the ordering process, or even makes a mistake like forgetting to order expedited shipping. They try to blame the company, and the company's reputation suffers.

So you should expect there to be some complaints about any company. It happens to every company. But if there are far more complaints than there are positive experiences, it's a red flag for sure.

You should also speak with someone at the company directly before doing business with them. This accomplishes two things:

1. It confirms that the company actually does respond to customers, and that they are easy to get in touch with.
2. It lets you ask the company important questions.

Here are some questions you can ask companies before you decide to do business with them:

- **How long have they been in business?** The longer they have been in business, the more likely it is that they are a legitimate company that will be reliable.
- **Which company do they use for shipping?** You want to make sure they use a reliable company like UPS or FedEx for shipping, because some of the smaller shipping carriers may be cheaper, but much less reliable.

- **Who are their clients?** They may not be willing to divulge this information, but if they have some major companies using them, they're probably a legitimate company.
- **What is their return policy?** You need to know their return policy inside and out. What happens if the item doesn't fit, or the customer doesn't like it? What about defective merchandise? How do they handle returns? Who pays for shipping? These are all questions you need to know, because if a customer wants to return a product and the company won't help, you will be responsible for handling it.
- **What types of payment do they accept?** You need to know when payment is expected, and what forms of payment they accept. Some companies may offer net-30 terms, which means payment is due 30 days after purchase, while others may require immediate payment.
- **Do they send shipping notifications?** The company should send notification emails to your customers when their items ship. This prevents you from having to do it. While this isn't a deal-breaker, it's a very nice thing to have.
- **Do they offer custom packing materials?** You may want to have your own shipping labels on the products, as well as your own packing slip, coupons, etc. This is a very helpful feature.
- **What are their prices like, and are there any fees?** You need to know how much they charge for products, as well as whether or not they charge any fees for "membership". Legitimate dropshipping companies will rarely charge a membership fee or participation fee. A few do, but this is rare.

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- **Do they sell to the general public?** If so, chances are their prices are too high to make a decent profit. True dropshippers will not sell directly to the public, and they will usually require a business license and/or tax ID number before you can access their system.
- **Can they integrate with your platform?** It's important to be able to have your inventory sync with theirs so customers don't order products that the company doesn't have in stock. Some companies have inventory systems that can integrate directly with popular shopping cart platforms, saving you big headaches down the road.

You may have your own questions to ask, and that's great. Make sure you ask any questions you have upfront, so you don't have to worry about it later.

# Finding A Dropshipper

There are thousands of companies that offer dropshipping, but not all of them are legitimate. I'm going to list a few places where you can start your search, but please don't think I'm personally recommending these sites. As always, do your due diligence before using **any** company.

Dropshipping Aggregators generally have a large number of products available from many different manufacturers. They often charge a monthly or yearly fee for access, but that fee often goes toward providing automated inventory control that integrates with your shopping cart.

Some aggregators may charge higher prices than other dropshippers, but you can generally find some items you can make a profit on. There are a few aggregators that claim to sell at direct wholesale prices.

## **Dropshipping Aggregators:**

>> <http://www.koleimports.com/dropship>

>> <http://www.salehoo.com> (\$67 per year)

>> <http://www.doba.com> (\$60 per month)

>> <http://www.dropshipaccess.com/> (\$49.95 per month)

>> <http://www.inventorysource.com/> (\$25+ per month)

Dropshipping directories are another way to find legitimate companies that offer dropshipping. Some directories actual vet companies before they are added, while others simply add all dropshippers they find.

### **Dropshipping Directories:**

>> <http://www.worldwidebrands.com> (\$299 for lifetime access)

>> <http://www.wholesalecentral.com> (free)

WorldWide Brands has been around for a very long time. They are expensive, but you get lifetime access, and the reason they cost so much is because they carefully vet all companies before adding them to their directory.

This doesn't mean you won't run into occasional problems, but it makes your job a lot easier. If you can afford this fee, it will save you a lot of time.

Wholesale Central is free, but companies are not thoroughly vetted, so you'll need to do a lot more work to check out each company before doing business with them.

# Conclusion

Starting any sort of online enterprise is difficult and often expensive. Buying stock upfront can be prohibitively costly, and then you must have space to store your stock, and deal with shipping it to customers. For a brand new business, it can feel nearly impossible.

Fortunately, dropshipping can eliminate the need for buying stock upfront, finding warehouse space to store it, and dealing with packaging and shipping.

Of course, finding dropshipping suppliers who are honest, provide a quality product, and provide great service for you and your customers is tricky.

Some companies charge monthly fees for access to product you can't make a profit on. Others offer terrible inventory management, or slow shipping, or make it difficult or impossible to return products.

Some are even outright scams!

Hopefully you've learned how to find the right dropshipper for your business, and how to tell which ones will be reliable. Remember to look for reviews on companies and ask plenty of questions before using a company. Doing your due diligence is time consuming, but can save you a lot of headaches down the road.

Good luck!

# Resources

Here are links to some of the resources found in this guide.

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