

INSIDER DROP SHIP SECRETS

Your source for huge profits with minimum work

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ABOUT THE AUTHOR

Dr. Ross A. Malaga has been recognized as one of the top 5 e-commerce experts in the world. He has provided e-commerce consulting and education to the U.S. Government, the U.K. Government, and a number of Fortune 500 companies – including Fannie Mae and Freddie Mac.

Dr. Malaga taught one of the first university level e-commerce courses in the U.S. He has taught e-commerce at top 20 MBA programs and is currently an Associate Professor of Management and Information Systems in the School of Business at Montclair State University in New Jersey.

Dr. Malaga received his Ph.D. from George Mason University. He has written numerous academic articles on various e-commerce topics in such prestigious journals as the Communications of the ACM, the Journal of E-commerce in Organizations, and Electronic Commerce Research.

Dr. Malaga owns and operates a number of Web-based retail and affiliate marketing sites. The retail sites exclusively use drop shipping.

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INTRODUCTION

Drop shipping has received considerable attention online recently. In fact a recent Google search on the term *drop shipping* revealed over 20 million results. In addition to the organic search results, there were dozens of ads for drop ship sites, directories of drop shippers, and courses on drop shipping.

The purpose of this e-book is to cut through all the hype and provide unbiased information about the drop shipping industry. To listen to all of the sites and ads you would think that drop shipping is a panacea that will instantly make a person wealthy. Just sign-up, put the products on eBay and your set. Well nothing can be further from the truth!

Drop shipping has major advantages, which we will examine in detail a bit later. But, as you will discover, drop shipping also has a number of drawbacks. You must also realize that even with an excellent drop ship sources, you will need to do a considerable amount of work in order to reap the substantial rewards.

Chapter One – What is Drop Shipping

WHAT IS DROP SHIPPING?

Drop shipping is actually a very simple concept. The best way to understand it, is to compare drop shipping with the traditional retail environment. Suppose we want to start a brick and mortar store that sells flashlights. A bit later we'll discuss the fact that even the largest city probably cannot support a flashlight store. For now, let's focus on the actual products.

Our flashlight store will require hundreds or even thousands of flashlights – in stock on the shelves. Think about that for a minute. Consider every retail store you have ever entered. What do they all have in common? Merchandise on the shelves (and maybe even more merchandise in the back). How much do you suppose all of those flashlights (or whatever you want to sell) cost? For most small retail stores initial inventory can cost tens or even hundreds of thousands of dollars. This inventory is usually purchased in bulk from a wholesaler or distributor at a discount to the retail price.

Fortunately, there is a better way. When we sell online there are no shelves to stock. So why stock anything? There are many wholesalers and distributors who will hold the stock for you and ship it directly to your customers.

Drop shipping is a system where the wholesaler or distributor ships individual items directly to your customers.

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The great thing about drop shipping is that you do not have to stock anything. In addition, ***you don't pay for merchandise until you actually sell it.***

Chapter Two – What Can I Drop Ship?

WHAT CAN I DROP SHIP?

You can probably drop ship just about any product you can think to sell online.

Here is a list of just some of the types of products that entrepreneurs are successfully drop shipping online:

- Consumer electronics
- Apparel
- Books
- Collectibles
- Furniture
- Cosmetics and beauty products
- Kitchenware
- Musical instruments
- Sporting goods
- Tools
- Vitamins and nutritional supplements
- Automotive accessories
- Shoes
- Home and garden products
- Pet supplies
- Jewelry
- Gifts
- Toys and games
- Watches

Chapter Three – Should I Drop Ship?

SHOULD I DROP SHIP?

Now that you understand the concept of drop shipping, you might ask why doesn't everyone do it? You need to understand that drop shipping has major advantages and also disadvantages. First the advantages:

1. You don't need to carry any inventory
2. You don't pay for merchandise until you sell it
3. You set your own prices
4. The drop shipper may handle returns

Some of the drawbacks to drop shipping include:

1. Reliance on another company to fulfill your customers' orders
2. Some drop shippers may experience back orders and other fulfillment problems
3. Some drop shipper do not provide up-to-date inventory and/or shipping data
4. Some drop shippers may charge excessive fees

So, should you drop ship? Unless you already own a brick and mortar store, you should at least consider drop shipping. Most of the drawbacks outlined above can be overcome by choosing a good drop shipper.

Chapter Four – How do I Find Good Drop Shippers?

HOW DO I FIND GOOD DROP SHIPPERS?

Finding a good drop shipper is absolutely critical to your online sales success. There are many ways to find a drop shipper for the specific products you want. The simplest approach is a Google search. Try the name of your product and the word drop ship or dropship (some people spell it as one word). For example, you would type “flashlight drop ship” (no quotes) in Google. When you do this, you will see a lot of ads (they are on the top and right side of the results screen). For now, you should ignore them. Just concentrate on the non-sponsored results.

One problem with this approach is that many wholesalers do not have a Web site. After all, their main goal is to sell to other companies. Another approach is to attend an industry trade show. This is a good idea in general as you will get to know other companies in the business and a bit about how it works.

Since trade shows are usually held in major cities, they may not work for you. Fortunately, there are a number of very good online drop ship directories. Some of the best one's include:

- www.worldwidebrands.com – by far the best source for drop ship wholesalers
- www.AidandTrade.com – a good source that allows you to browse by company, product, or brand
- www.Salehoo.com – we recommend the discussion forums

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If you use one of these sources you can be sure that any company you find is a legitimate wholesale drop shipper.

**Chapter Five – What Should I Look for in a
Drop Shipper?**

WHAT SHOULD I LOOK FOR IN A DROP SHIPPER?

Unfortunately, there are many drop ship scams floating around online. So, once you identify a company your first step is to determine if they are legitimate and provides true wholesale pricing.

- **Is the drop shipper legitimate and provides true wholesale pricing?**

Watch out for:

- Up-front fees
- No request for a resale certificate
- Minimum order quantity (MOQ)
- Non - blind drop shipping

Let's examine each of these.

Up-Front Fees – Which one's should you pay?

First, there are really two types of up-front fees. One type is okay and the other is not. The first type is charged by some legitimate wholesale drop shippers to set up your account. While I do not like these fees, I do understand them. The drop shipper is taking time to establish your account. They may send you a catalog, data feed, and images to use. This all costs money. In addition, asking you to pay a small fee shows that you are serious about doing business with them.

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The second type of up-front fee is, in my mind, absolutely absurd. There are “drop ship” companies that will charge a membership fee. These companies will usually not allow you to see their prices until you become a member. They provide a nice list of all the great products they will drop ship for you, but you need to pay to see the prices. Let’s face it, if their prices were good they would advertise that fact.

Resale Certificate and Tax ID Number – Why you need one?

A resale certificate is issued by your state. It allows you to collect sales tax. This is important since ***wholesalers do not charge sales tax***. It is the responsibility of the retailer to collect the tax and remit it to the state. Therefore, legitimate wholesalers will only deal with companies with a resale certificate.

In order to apply for a resale certificate you will need to establish a company and receive a tax ID number from the IRS. You should check with your accountant or financial advisor regarding the best structure for your company.

- To apply for a tax ID number [click here](#).
- To apply for a state resale certificate [click here](#).

What is your minimum order quantity (MOQ)?

There are some “drop shippers” that have high minimum order quantities (MOQ) or amounts. Minimum order quantities specify a minimum number of items that must be purchased together.

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- For drop shipping *you want an MOQ of one.*

In addition, you want to be sure there is not a minimum order amount.

- For drop shipping *you want a minimum order amount equal to the least expensive product the company offers for drop shipping.*

There are others that have restrictive terms or conditions. I personally know of at least one apparel wholesaler that actively advertises itself as a drop shipper.

However, when you closely examine their drop ship terms you will find this statement:

“We can offer drop shipping on individual units or pieces, based on our retail price. Because we only ship bulk in assorted colors and sizes, an individual color or size cannot be selected at the wholesale/bulk price offered on the website.”

So you this company will drop ship for you, but the customer cannot select size or color. If you want the company to drop ship specific sizes and colors you pay the retail price!

Why you want a blind drop shipper?

Imagine the following scenario. You spend time and money to promote your product. A customer buys the product and receives the package. On the package is a nice label – with the name, phone number, and Web address of your drop shipper. Inside is a nice invoice and catalog – all with the contact

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information of your drop shipper. If you were the customer who would you call the next time you needed that product or a similar one? Which company are you more likely to remember?

A blind drop shipper uses either a generic return address label or one provided by you. They will also include a generic invoice. Some will allow you to include your own invoice, insert, or catalog. There are even a few that will provide their catalog, with your contact information on it (so it looks like yours).

Appendix A – Checklist: What Should I Ask a Potential Drop Shipper?

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Checklist – What should I ask a potential drop shipper?

Now that you know what to look for in a drop shipper use this checklist to determine if the drop shipper is right for you.

Drop shipper: _____

Product: _____

Phone: _____ **Web:** _____

Contact Person: _____

Question	Answer you want	Company Answer
Do you need our tax ID number and/or state resale certificate?	Yes	
What is your minimum order quantity (MOQ)?	1	
What are your drop shipping fees? Are they per order or per item?	\$0-5 per order	
What shipping options do you provide? How quickly do you process orders?	UPS, FedEx, and/or USPS Orders processed in 24-48 hrs	
Do you provide pictures? If yes, what quality?	Yes, higher quality is better	
Do you provide a product database or spreadsheet?	Yes, but not essential for a small number of items	
Will you put our label on the package or ship a plain package?	Yes	
Will you put our invoice or a generic invoice in the package?	Yes	
Do you handle returns? If yes, what is your return policy?	Yes is nice. Liberal return policy is best on most items.	
How do I send my orders to you?	E-mail or data feed	
How will you send me tracking numbers and invoices?	E-mail or data feed	
Do you provide an inventory feed?	Yes is nice, but not essential	