

What is Dropshipping? Finding Dropshippers, Its Advantages and Pitfalls!

Dropshipping is a type of retailing where the retailer does not keep goods in stock, but instead passes the customer's order and shipment details to the wholesaler, who then dispatches the goods to the customer directly. The retailer makes their profit on the difference between the wholesale and retail price. Some retailers may still keep "show" items on display in stores, so that customers can inspect an item similar to those that they can purchase. Other retailers may only provide a catalogue or Internet presence.

Drop shipping can occur when a retailer receives a single large order for a product. Rather than route the shipment through the retail store, the retailer will arrange for the goods to be shipped directly to the purchaser.

Let us assume, you purchase an item from a dropshipping site for \$20.00. You would sell that item for a price determined by you; let's use \$35.00 plus \$4.50 shipping for an example. After you collect the total payment of \$39.50 from the customer and their mailing address, you would forward the \$20.00 plus \$4.50 for shipping to the wholesaler, and keep the \$15.00 as profit, never having to touch the product, as the wholesaler ships it out to the customer.

In short, dropshipping is simply selling products for wholesale companies, sending them the address of the person who bought from you, and they ship the product to them. This is an incredible opportunity, most times for the cost of a meal at a restaurant, to start a profitable eBay business.

Many sellers on eBay also drop ship. Naturally a seller will offer an item as new and ship the item directly from the wholesaler to the highest bidder. The seller profits from the difference between the winning bid and the wholesale price, minus any selling fees from eBay.

Finding Dropshippers

Startups and individuals new to the dropshipping world generally face severe difficulty in finding legitimate and authentic dropshipping companies. Several online directories have popped up in recent times on the net which help to make this task easy. Its best online example can be seen by working of the famous online dropshippers directory <http://www.aidandtrade.com>.

Whilst looking for dropshippers, there is a general misconception that dropshipping companies who charge an initial fee to sign-up and open accounts with them are not considered genuine. Although this might be true in some cases however the reason for charging this fee is that, these companies want to make sure that they are dealing with genuine traders and not individuals merely looking for quick bargains and one off items.

Advantages of Dropshipping

Working with dropship companies has numerous advantages for small companies and individuals looking to earn part time or even full time income. Following are some of its benefits.

- The dropshipper researches for products and provides their lists/catalogues of available items at trade prices - one can sell any of these items by any method they wish.
- The dropshipper acts on the order - Only when the item has been sold and the payment has been received, the dropshipper is asked to fulfil the order.
- The dropshipper packages the orders – No packaging costs are involved at the end of the seller.
- The dropshipper sends the orders out direct to the customer – No delivery costs and efforts are associated with the seller
- The dropshipper is transparent to the customer - As far as the customer is concerned their purchase has come directly from the seller.
- The dropshipper holds all the stock – No warehouse or storage issues at the end of the seller
- All the seller has to do is concentrate on sales and marketing and banking the profits!

Dropshipping Pitfalls

While it is true that the profits can be gigantic, the seller effectively has to rely on the goodwill and professionalism of the dropshipper/wholesaler. Eventually, one should always keep in mind that should the deal go raw (for instance, the dropshipper supplying a faulty product or a downright incorrect one), it will be the seller's reputation that will take hit. The end buyer cares nothing for whether the seller used a dropshipper or not; all they truly care about is receiving the product that they paid for. For that reason, dealing with unconfirmed dropshippers can be risky.

Additionally, profit margins can be low when working with smaller dropshipping companies. Typically the biggest discounts from manufacturers go to larger volume resellers who further pass their discounts to sole traders and individuals. Using smaller dropshipping companies one might end up

paying much more per unit of product than by contacting manufacturers direct. Most manufacturers refuse to deal with individuals, but many will offer low volume quantities at wholesale price. For a fast selling product it could be worthwhile buying small quantities directly from the manufacturers.

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About the Author

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