

“Simple, honest advice for internet startups.”

**The Truth, **THE WHOLE
TRUTH**, and Nothing But
The Truth ABOUT The...**

**Wholesale and
Dropshipping
Business
On the Internet**

...how to find real, genuine, factory-authorized
wholesalers and dropshippers...



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What is Product Sourcing?

Product Sourcing simply means “*Finding products to sell through your business.*”

This, of course, refers to buying products at a real wholesale price, and selling them online for a profit.

Product Sourcing is something that truly successful Internet Sellers take very seriously; it's a cornerstone of their success.

What does proper Product Sourcing do for my online business?

Among other things, the Internet is a wonderful ECommerce Marketplace. It's a tremendous business opportunity for very little cost. Many people start small online, then go on to earn truly impressive full-time incomes.

However, many people starting out run into issues they don't understand and then give up because they don't have the information they need to run an Internet business competitively. If you dream of owning a successful online business, you CAN do it. There are a few things you *really* need to understand, though, and Product Sourcing is one of them.

Doing your Product Sourcing *properly* does several things for you and your Internet business:

- **Allows you to earn the highest possible profit margins**
- **Allows you to be flexible in the products you offer to your potential customers**
- **Allows you to effectively compete with other Sellers' prices**

Remember that the Internet is a very price-driven market. If you're not doing your Product Sourcing properly, you'll find that there are many other Online Sellers who offer the SAME products you do, but at lower prices. You won't be able to compete with them. Those sellers who offer lower prices ARE making a profit. The difference is that they are probably paying *less* for the products they sell because they understand how to Source Products the right way.

So, let's look at how they do that, so you too can become one of those successful Internet Sellers!

1. From Local Sourcing to Growing a Real Business

Most Internet Sellers start out in business using Local Sourcing techniques. Though this poses certain limitations, particularly a lack of *renewable* products, local sourcing is a good way to get your feet wet if you plan to start selling on Auctions such as eBay. Some of the more common techniques of Local Sourcing are:

• Attics, Garages and Yard Sales

This is probably the most common method people use to get started on the Internet and learn their way around. Sell a few things out of the attic and garage and practice selling. It's a great way to start and make a few extra bucks. It introduces you to online retailing, helps you get used to the sales process, and gives you a confidence boost when you see those first profits coming in.

Most people will then start spending time on the weekends going to yard sales and estate sales, looking for bargains, and then selling THOSE products online.

After a while, though, the attic and garage are cleaned out, and you've hit every available yard sale in a 50 mile radius. You're spending more and more of your time traveling to yard sales, and your profits just don't pay for your time and gas. *It's time to look for less time-consuming Product Sources.*

• Local Merchants

At this point, many people will move into different Local Sourcing methods. One of those is sourcing through Local Merchants. You can go to retail stores in your town, introduce yourself to the manager, and offer to buy items that are sitting around in the back room that the store hasn't sold. You can actually develop a good relationship with some of these store managers and owners, and get a pretty good supply of products coming your way.

You can also do this with Thrift Stores, local discount marts, etc. You can go to Factory Outlet Stores, buy products off the shelves at discount prices, and resell them online. There are many options here, only limited by your imagination. Still, this is a hit-or-miss situation; there won't always be products available from those sources, and they'll never be the same products time after time. There's also the fact that you're still spending a good deal of time traveling to, and working one on one with, these sources.

- **Local Artisans**

This is one of the more creative ways, literally, to source products locally. Pretty much anywhere you live, you can find local people involved in all kinds of craft production. Local Artists' Guilds and Crafting Collectives are often a good source of unique products that sell well online. However, while the products can be unique and your profits are generally good, production is often slow. Hand made items from local artisans take time to produce, and if they do sell well, you will always have a limited supply, which limits your business income.

- **Storage Unit Auctions**

This is another popular example of Local Sourcing. You can contact the Self- Storage warehouse facilities in your area, and attend auctions that they hold when people who rent storage units do not pay for those units, defaulting on their ownership of the goods contained within. You get a chance to walk around and PEEK into the storage units being auctioned (you can't see inside boxes or open any containers) and then you bid on the complete contents of the storage units when the auction begins. Again, while you may gain some unique items, you're dealing with a ton of work and a limited supply.

There are other methods of Local Sourcing as well. When you're first getting started, all of them are good ways to learn, and can become a *part* of your Product Sourcing, to an extent. But, as you can see, Local Sourcing becomes time and labor intensive, and tends to limit both product selection and availability.

There are only so many hours in a day. If you spend too many of those hours on your Product Sourcing, you will eventually hit a point where you'll "max out" the amount of money your business can make in a day, because you're spending too much time physically acquiring the products you're selling.

Factory Authorized Wholesale Suppliers

When you're ready to move beyond the casual seller stage to a point where your online business is your full-time income, you need to start working with legitimate wholesale suppliers.

That doesn't mean that you can't still source locally when you have the time. That's fine, and adds some unique variety to your product selection when you find the good deals. But when you are ready to make the transition from selling online as a hobby to selling online as a steady stream of income- You'll need an easily renewable source of products that you can sell again...and again...and again.

To grow into a business that is only limited by the number of Buyers in your product market online, you need to make your business operation as lean and mean as possible by streamlining your processes, and that especially includes your *Product Sourcing*.

Let's say you're currently sourcing your products by going to local factory outlet stores, buying products at a discount, and re-selling them on the Internet. In order to do this, you need to drive out to these stores, meet the people in charge so that you can work your best possible deal every time, pick out the products on their shelves that you think are going to sell, then buy the products and get them home. Then you have to take individual pictures of those products. Then, you've got to make sure you have the right size and types of shipping materials so you can get them out the door when you make a sale.

Keep in mind that you're probably holding down a day job at this point too. The time you can spend on your online business is limited. As your business grows you can easily spend more than half your time simply sourcing products locally if you only use Local Sourcing methods.

Remember: You **HAVE** to spend a good deal of time coming up with new product ideas, researching your market, working on your advertising, improving your Auction Listings and/or Web Store pages, providing timely answers to your customers' emails, and much more. *Streamlining your Product Sourcing using multiple methods will afford you the time to grow your business.*

Working with a steady, readily-available source of your main products is the best way to avoid that problem. That steady source is almost always going to be a Factory Authorized Wholesale Supplier.

Why a Wholesale Supplier?

Why not just go straight to the Manufacturer to buy your products? People write to us and ask that question all the time. They figure, correctly, that their prices direct from a Manufacturer will be even better than from a Wholesale Supplier. That's true, they would be, if a Manufacturer would sell directly to a Retailer.

99% of Manufacturers won't work directly with retailers and they have good reasons for not wanting to.

Wholesale Supply Companies provide a service that Manufacturers need. Manufacturers are far too busy manufacturing products. They don't want to have to get involved in distributing them to retailers as well.

Wholesale Suppliers already have large sales forces, warehouse capabilities, local and long distance trucking operations, and distribution networks of retail contacts in place.

Manufacturers would much rather sell very large quantities of products to a very few

existing Wholesale Suppliers and use the *Wholesaler's* infrastructure and sales connections to distribute those products.

It's much more cost-effective for the Manufacturer. This is why Retailers (including Internet Retailers) generally cannot buy from Manufacturers directly.

For the vast majority of your wholesale purchases as a retailer, you will be dealing with Wholesale Suppliers. Legitimate Wholesale Suppliers are very stable and will supply a steady stream of reliable name brand products for you to sell online.

Exceptions to the Rule

Once in a while, you *may* find a manufacturer who is willing to sell to you directly, and that's great, but you need to be careful. Manufacturers who sell directly to Retailers usually HAVE to do their own distribution because they are typically too small to attract the attention of the large Wholesale Supply companies. They are generally very small companies who produce small numbers of specialty items.

Buying directly from these small manufacturers can have its pitfalls. Small companies can rarely keep up with a fast-paced sales season, like the Christmas Holiday. They are more likely to run out of stock, take longer to produce more product, and are more likely to go out of business suddenly.

It's great to deal directly with a manufacturer, but be careful if they are a small company. Larger wholesale suppliers are much more stable and reliable.

2. Middlemen and Scammers

When you're looking for Wholesalers so that you CAN have a steady stream of wholesale products to sell online you're going to find a tremendous number of people who are perched on the search engines like a flock of vultures, just waiting to swoop down on your head.

There is a whole subset of Get Rich Quick schemes aimed at Product Sourcing. An entire industry on the Internet that makes its money by fooling you into thinking you're getting something you're not.

They break down into three major categories:

- **Product Sourcing Middlemen**
- **Product Sourcing MLMs (Multi-Level Marketers)**
- **Junk Product Sourcing Information**

Let's take them one by one, shall we?

Product Sourcing Middlemen

We've mentioned Middlemen before, so let's understand exactly what that means now. The Product Supply Chain, from manufacturer to retailer, is supposed to go like this:

Manufacturer > Wholesaler > Retailer > Consumer



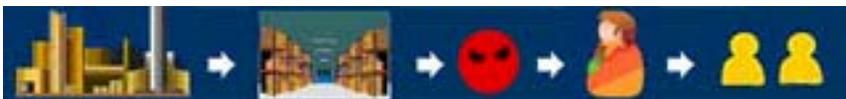
Many people have the mistaken impression that the second link in the Chain, the wholesaler, is a Middleman, because they are in the middle, between the manufacturer, and you, the retailer.

That's not true. The Wholesaler, the second link in the Product Supply Chain is there for a very important reason: manufacturers don't have the infrastructure to actually sell and deliver small numbers of their products directly to you, the retailer. Real wholesalers provide that infrastructure (warehouses, order systems, delivery trucks, account representatives, etc.) for the manufacturer.

So, link two, the wholesaler, is a legitimate wholesale supplier, not a Middleman.

Here's an example of where an illegitimate Middleman fits into that Supply Chain:

Manufacturer Wholesaler > Middleman > Retailer > Consumer



A Middleman is someone who takes *your* place in the Product Supply Chain, and bumps *you down* a link. They try to make you believe they *are* Link Two in the Chain (a wholesaler), when they are *really* Link Three (a retailer). Sometimes, it's worse than that. You could end up dealing with a fake supplier who is actually three or four links down the Chain.

How does that affect you? It hits you where it hurts. Right in the profit margin. For every link you drop down in that Chain, your "wholesale" prices go up.

To be successful online you've got to buy your products from the Factory Authorized Wholesaler that works *directly with the Manufacturer*. Otherwise, your profit margin will suffer.

Another favorite Product Sourcing scheme used by the unscrupulous and unprincipled is the Multi-Level Marketing plan.

Let's talk about that.

Product Sourcing Multi-Level Marketing Schemes

Earlier, we talked about the fact that it's bad to be bumped from the third (retail) link of the Product Supply Chain down to the fourth link, by allowing a Middleman to get in between you and the real wholesaler. We also mentioned that you could find yourself two or three links below that level on the Chain. Taking you for that ride *way down* to the lower links is the specialty of the Product Sourcing MLM (Multi-Level Marketer).

People have been falling for this kind of thing forever. They talk about it on the News, everybody from 20/20 to 60 Minutes exposes them, and yet still people fall for it every day.

Whether it's the old "Airplane Game", where everyone puts \$200 in the pot, and then you each get four others to do the same, and so on, until you advance to the 'Pilot's Seat' and get all the money, or it's the multi-level "wholesale suppliers" on the Internet, it's all based on the same thing.



An MLM scheme is a food chain. When you enter it, you are on the bottom of that food chain. Ask any amoeba, small insect, or bit of plankton floating around the ocean, and they'll tell you that the bottom of a food chain is not a good place to be!

Here's an example of a wide-spread MLM operation on the Internet: Let's pretend that there is a big supplier of imported off-brand merchandise in the U.S. They sell some decent products. You won't find any well-known brand names there. Their line consists of several thousand widely varying products, mostly decorative figurines, home accents and giftware. Again, you won't recognize any of the brand names ... it's all imported merchandise, probably mostly from China and the Pacific Rim. We'll call this pretend company "XYZ Wholesalers".

You can sign up with "XYZ Wholesalers" directly and sell their merchandise on your web site, for a hefty monthly account maintenance fee. You will find the products difficult to sell, for one very good reason. They already have TENS OF THOUSANDS of people who are all trying to sell this exact same merchandise on the Internet.

That kind of competition, plus the fact that there are so many more people (millions of people!) already trying to sell giftware in general on the 'Net, will make it impossible for

you to make any real money. Here's the interesting part, though, which makes this situation an MLM scheme.

Joe Reseller comes along and signs up with "XYZ Wholesalers" as a retailer, and now has the right to sell their products on the Internet.

XYZ Wholesalers knows that Joe is not going to make all that much money trying to buck all the competition on their relatively few products on the Internet. So, they send Joe three "wholesale" price sheets.

The "Amber" Price Sheet contains the prices that JOE can buy products for, and resell them online. These are the lowest prices available from XYZ Wholesalers. Joe sets up his own Web Site, and sells the products directly to the public using the amber price sheet as his wholesale pricing.

The "Hunter Green" Price Sheet contains all the same products, but they're marked up considerably in price. XYZ tells Joe that HE can bring in his OWN Internet retailers, claiming to actually BE a wholesaler himself, and sell the products to them for the prices on the "Hunter Green" Price Sheet. XYZ Wholesalers actually encourages the kind of unethical behavior displayed in our previous example of Middlemen.

In other words, XYZ gives Joe permission to pretend to be a real wholesale supplier, and gather his own little army of unsuspecting worker-bees to sell for him.

Joe's worker-bees go out and set up their own Web Sites, thinking that Joe is a REAL wholesale supplier, and they send their orders to Joe. Joe simply turns around and sends his worker-bees' orders directly to XYZ, and they fill the orders.

Once again, it's like a soap opera; Joe is not a real wholesaler, but he plays one on the Internet.

The "Baby Blue" Price Sheet is the third one that Joe got from XYZ, and it has even higher prices. Guess what Joe does with this one? He passes the "Baby Blue" Price Sheet on to the "worker-bees" who think he is the real wholesaler, and tells them that they can bring in their own resellers, and claim to be wholesalers themselves!

Joe's unsuspecting worker-bees recruit their own unsuspecting worker-bees. That second level of worker-bees under Joe's worker-bees all create their own Web Sites to sell all these same wonderful products, never knowing that they are buying from a fake wholesaler under Joe, and those fake wholesalers are buying from Joe, who is a fake wholesaler himself.

Joe is the only one buying from the real Wholesaler. He's collecting orders from two levels of worker-bees underneath him, and passing them all on to XYZ, who fills the orders.

So, the more worker-bees Joe gathers, the more worker-bees those worker-bees gather, and it all passes upward along the chain to Joe, and finally to the real Wholesaler.

That's what's known in Multi-Level Marketing (MLM) as an "Upline" and a "Downline". In this situation, here are the "Downlines":

- Joe and both levels of worker-bees under him are XYZ's "Downline."

- The two levels of worker-bees under Joe, who use the hunter green and baby blue price sheets from Joe, are Joe's "Downline."
- The worker-bees who use the baby blue price sheet are the "Downline" for those who use the hunter green price sheet they got from Joe.

Now, here are the "Uplines":

- XYZ Wholesalers sit at the very top of this 'pyramid', and collect membership fees and product orders from everyone. They are the only real Wholesaler in this picture, although all the lower-level worker-bees think that they are also buying from real wholesalers.
- Joe has XYZ Wholesalers as his "Upline".
- The hunter green price sheet users have Joe and XYZ in their "Upline".
- The worker-bees who use the baby blue price sheet are at the absolute bottom of this food chain. The hunter green price sheet users, Joe, and XYZ are all in the baby blue worker-bees' "Upline".

There are tens of thousands of these downline worker-bees out there on the Internet, all creating sites that claim to be real wholesale sources, trying to put you on their Product Sourcing downline. They all want you to believe that they are real wholesale suppliers, and some of them are very good liars with very convincing sites.

You need to stay away from these people!

Junk Product Sourcing Information

When you're looking for information on Product Sourcing, there are people out there who are more than willing to lie to your face, promise you riches beyond your wildest dreams, and then leave you with information that will actually damage your business. Bad information can actually cause your business to fail completely.

Many of the people who do this are outright scam artists who are actively and purposely trying to cheat you. Some of them are simply lazy, and are looking to make a fast buck selling substandard, outdated information, not caring who they hurt in the process.

Some others actually think it's "ok" to cheat you, because "everybody else does it." Then

there are a very few of these small operations in Product Sourcing Information (only two or three, actually) who do try to put together halfway decent information, but they don't have the time and manpower to maintain that information, and it quickly becomes outdated and useless. That cheats you and your business as well, although it's not malicious, it's just irresponsible.

How can bad information damage your business?

Mostly in the form of lost time. The money you spend on the information isn't really the thing to worry about here. Most of the bad information is cheap to begin with.

The problem, as we said, is lost time. When you buy Product Sourcing information, you need to look through it to find contact information for the Wholesalers you want to deal with. In Junk Product Sourcing information, you could spend days, weeks, or even months trying to contact suppliers that don't exist, are no longer in business, or won't work with you in the first place.

Losing that kind of time in your business stalls your progress, brings your profits to a standstill, and can actually destroy your business.

Recognize the Bad Guys

Whenever and wherever you find the name of a company that is supposed to be a wholesaler, be very careful. Learn to recognize the signs of a Middleman or MLM:

- Any wholesale web site that does not give you a full company name, address and phone number to call, which they answer.
- Any supposed wholesaler that does not ask you for a Business License and Sales Tax ID (*which we will discuss in the next chapter*)
- Any wholesale web site that makes claims about *how much* money you can make using their **services**.
- Any wholesale web site that makes claims about how much money they have made with their **products**.
- Any wholesale web site that you notice is marketing the same products as another supposed wholesale web site.
- Any web site that tries to sell you other services besides strictly wholesale products.

If you come across a wholesaler that you're not sure about, there are some things you can do to help you decide if they are legitimate:

- Call them. If someone answers and says "Hello?", you are not talking to a real business. You should be able to get a hold of an Operator who can direct you to an Account Representative. Ask the Account Rep all the questions you like, until you're satisfied.
- Go to www.whois.net and do a search on the company's web site domain name. If the results tell you that the site is registered to an individual name, chances are you're dealing with a Middleman. If it's registered to a company name, that's not proof, but it's a good sign that they might be legitimate.
- Search the Internet using the web site name, and then the company name. If anyone has had trouble with them, you'll find out quickly.
- Search the [Better Business Bureau web site, at www.BBB.org](http://www.BBB.org), for complaint history.

- Contact the Chamber of Commerce in the city or town where the business claims to be located, and ask about them. Even if they are not a Chamber Member, someone there should be able to give you some idea about them.

Making sure you're dealing with a real wholesaler can make or break your Internet Business, so please be sure that you know who you're dealing with.

3. Get Legal, or Get Cheated!

Are you an Ecommerce business owner, or do you just "play one on the Internet"? There is a difference, and that difference will hurt your online business.

As we've said several times so far, when you sell products on the Internet, just like anyplace else, you need to be Sourcing those products from a direct Wholesale Supplier (a.k.a. - Factory Authorized Wholesale Supplier). If you're not, you're paying middleman markups that chip away at your profits until you're barely making enough to pay your hosting fees. Sometimes it seems that there are more middlemen on the Internet than there are Ecommerce sites, and they're all targeting YOU!

Here's a scenario:

John Doe wants to open an Internet store, and make lots of money. He's seen all the news items about new Internet millionaires. There are pictures of some of these people in the news and on the 'Net, and some of them seem to be one sandwich short of a picnic.

"If they can do it, so can I!" he thinks, and starts to search around the 'Net for information on starting a business. John is luckier than most; he comes across a good Internet Mall early in his search, and realizes that he can set up an Internet store quickly and easily. All is right with the world!

Only one thing left: what to sell?

John looks around the Internet for product Suppliers. He finds a genuine Wholesale Supplier. He calls them to set up an Account, and they ask him for his Sales Tax ID. He realizes that he will have to get a Sales Tax ID number to buy from these Suppliers, because they are legitimate.

"Yechh!" thinks John. "Tax ID number?" That sounds like work. Worse, it sounds like LEGAL work. That's a scary thing to most people, and John is one of them!

A little more searching, and John finds a web site called "Stuff R Us." Stuff R Us is screaming at him: "Thousands of wholesale products you can sell on your website! NO investment for inventory! We send each item right to your customer! No shipping, no handling products, no minimums! Sign up with us and we handle everything! This is your road to Internet Riches!"

Well, that's the road John was looking for, all right, so he happily sends his name and

address to Stuff R Us along with his sign-up fee. Suddenly he can put all kinds of products on his web site, and all he has to do is email his orders to Stuff R Us, and they handle the rest. No paperwork, no hassles.

John is creating a new Internet millionaire, all right. No doubt about it. Unfortunately, it's not him. It's Stuff R Us.

Stuff R Us is a middleman. They sit between John and the REAL wholesaler. Every time John places an order with Stuff R Us, they turn around and place that same order with the real wholesaler, who sends it to John's customer. John never knows this is happening.

Stuff R Us is marking up the real wholesale prices to John. John will piddle along selling the same over-marketed imports as thousands of other Stuff R Us clients, at over-inflated wholesale prices.

Stuff R Us thinks this is great, and they're laughing all the way to the bank.

So, where did John go wrong? What did he do to unwittingly get stuck in ECommerce's biggest trap, the "middleman rut"?

It's simple. He took the easy way out when searching for a supplier. Stuff R Us said, "We'll handle everything," and John said, "Hmmm, that sounds easy!" So, instead of bothering to do some simple legal paperwork for his business, John let Stuff R Us cheat him out of most of his profit, because it was easy.

Please remember the following two statements:

1.) You MUST work DIRECTLY with REAL Wholesale Suppliers to be truly successful in Ecommerce.

2.) You cannot buy from a REAL Wholesale Supplier *if you are not a LEGAL business.*

Let's repeat that last one, for those who may have their iTunes software turned up too loud:

YOU CANNOT BUY FROM A REAL WHOLESALE SUPPLIER IF YOU ARE NOT A LEGAL BUSINESS!

ANYONE who allows you to purchase wholesale products for resale without legal business paperwork is NOT a real wholesaler, and is taking profit that should be yours.

As you may know by now, we publish a very thorough Factory Authorized Wholesaler directory that helps people like John find and contact real Wholesalers that will work with Home-based Internet Businesses. Every once in a while, we get an email from someone who says, "Wait a minute, I don't have to go through all this legal stuff to use the distributors YOU list. I can just go to Stuff R Us and do it the easy way!"

We have no doubt that Stuff R Us finds this absolutely hilarious.

Getting legal is not that hard. Don't listen to the people who tell you that you don't have

to do it. Here are the basics (in the US):

1.) File your Business Name.

You need an official business name that's recognized by your state government. You can do this one of two ways.

A.) Corporation: You can file a corporation with your State. All States in the US have web sites where you can get information on this, and in many cases actually file your business papers online. We have links to the different sites for each State in the Resource Center on our web site, which we'll talk about later.

B.) Fictitious Name (or "DBA"): This is a simpler way to register your business, but it does not afford you the protections that a corporation does. This doesn't cost as much as a corporation. In some States, this is called a DBA (Doing Business As), and is obtained from your local County Office building for a minimal fee. (\$35 would be an average).

If you're not sure which way you want to go, ask an attorney or accountant. There's got to be one in your family somewhere, right? :o)

2.) Obtain a "Tax ID" or "ABN"

In almost every State, you are required to have a Tax ID. Some call it a Sales and Use Tax Certificate, some call it a Seller's Permit, etc. It's the same thing. It allows you to collect Sales Tax on sales you make within your own State. This is done at the local State Tax Office. When you buy from a Wholesale Supplier, you will be asked to supply them with a copy of this certificate. They use it as proof to the IRS/ATO that they are not required to charge you tax on the products they sell you at wholesale.

3.) Open a Business Bank Account.

If you're going to do business, you must have a business bank account. You'll need your Business Name papers. Here, we can open a business account for a deposit of \$50 to \$100. Almost all banks offer business accounts.

4.) Open a Merchant Account.

The last thing you need is a Merchant Account. You'll need everything you obtained in the steps above for this one.

This is the thing that allows you to accept credit cards from your online customers. Without this, you'll get nowhere. Online buyers are instant gratification junkies. They want it NOW! If they have to mail you a check, they'll go somewhere else and buy. Merchant accounts used to cost a thousand dollars and more to set up. They've come down a LOT. We just opened a new one for a one-time fee of less than \$200, complete. The Merchant Account will collect funds from your customers' credit cards, and deposit those funds in your business bank account. Your Merchant Banker will help you to incorporate your Merchant Account into your Internet store software.

You can also use your Merchant Account to sell on eBay, of course.

There are also a couple of ways you can accept credit cards on the Internet without opening a Merchant Account, such as PayPal.

That's the "business end" of an Internet business. Sound complicated? It isn't, really. Just take it step by step. Don't let a few pieces of paperwork stop you!

As I said above, these are just guidelines. Some states may require an additional license, such as the inexpensive "Occupational License" used here in Florida. When you set up your Business Name, they will tell you if you need anything like that. If you have questions, please consult a professional.

Getting legal is not hard, and the benefits are tremendous. Don't make money for a middleman—make it for yourself!

4. Product Sourcing Methods

After working in wholesale, retail and product sourcing for a very long time, our best recommendation for sources of products to sell online will always be new products from real Wholesale Suppliers.

When you're dealing with Wholesale Suppliers, you're getting brand new merchandise that is under warranty. You have an Account Rep who can handle shipping issues, damaged merchandise, returns, product liability questions, and provide images and descriptions of the products you sell. This is invaluable in streamlining your Product Sourcing, bringing the best quality products to your customers and protecting your business from lost income.

It's also very important to understand that no *single* Product Sourcing Method should be used to support your entire business. The most successful Sellers on the Internet understand that using *Multiple Product Sourcing Methods* is the real key to success.

So, let's talk about common Product Sourcing Methods and how they work.

Light Bulk Wholesaling

A real "Light Bulk Wholesaler" is a legitimate Wholesale Supplier who will sell you SMALL amounts of products at a genuine Wholesale Price, and ship them to you. You store those products in your home, and pack and ship them yourself to your customers who order them from your Auction or Web Site. You charge your customers your Retail Price, and the difference between Wholesale and Retail is your profit.



Light Bulk Wholesaling works great for eBay Sellers because since you are purchasing product in volume (even though it's small affordable volumes) you get additional discounts on top of your standard wholesale price. With those discounts, many online retailers will lower their retail cost. This allows you to charge more competitive prices to your online customers.

Light Bulk Wholesaling works well, and is a low-cost entry into the world of buying wholesale products in bulk. Supplementing your Product Sourcing with Light Bulk (low minimum order) wholesalers should be a part of your Sourcing efforts especially if you plan to sell in a price driven marketplace like eBay.

Drop Shipping

A real Wholesale Drop Ship supplier is a legitimate discount Wholesaler who will send products directly to your customers for you, one product at a time, from their warehouse.



You pay a Wholesale Price for the products, one at a time, and charge your customer your Retail Price. The difference between those prices is your *profit*. You never have to touch the product, or spend money to fill your garage up with products that you might not sell...the Wholesale Dropshipper does that *for* you.

Drop Shipping works well, but has its limits, which include slimmer profit margins and occasional delivery problems.

Drop Shipping *should be* a part of your Product Sourcing, but not all of it.

Tip: *Avoid any chance of delivery problems when using drop shipping by ordering 1 or 2 of your hottest selling items from the Wholesaler. This will serve as a backup in the event the Wholesaler is out-of-stock on those items. Not only will you always have a backup for your ordering customers, you will also be able to experience what your customers are experiencing when they get an order delivered to them!*

Liquidation Buying

When products are liquidated, that means that whoever owns them no longer wants them. In fact, they want to get rid of them so badly that they're willing to take virtually no profit, or even a financial loss, to do so.

Sometimes, the products being liquidated are brand new, and a manufacturer simply made too many of them. Or, they weren't that great a seller to begin with, and the manufacturer or wholesaler got stuck with a lot of extras.

In our experience with liquidation, though, brand new products that are still in the box, never having been opened, are more the exception than the rule. So, while Liquidation Buying *can* be effective, you have to be very careful to be sure what you're getting.

If you're careful, Liquidation Buying can be a good supplement to your Product Sourcing efforts, especially since you can use low-cost items you bought at Liquidation prices to entice customers into your Web Store to see your more expensive (and higher profit margin) items.

Overstock / Closeout Buying

Overstock Merchandise is supposed to be new, in-the-box, never-opened products that have simply been left on the warehouse shelves from the previous season.



There are many reasons that manufacturers and wholesalers get stuck with some of last year's inventory.

Mainly, that would be because the manufacturer produced too much product, or the wholesaler bought too much, and the manufacturer wouldn't take it back. Whichever is the case, we're still talking about products that didn't sell for some reason, and that has to be taken into account when you consider buying them and trying to sell them yourself.

Overstock | Closeout Sourcing works well, but it's not a renewable source. Once a product lot is gone, it's gone. If you find a product that sells well, you'll run out of it sooner or later. That's why you need other sourcing methods; so you can find renewable Sources of those products once you identify them.

Resource Note:

At [Wholesale Finder](#), our business is locating legitimate Australian Wholesalers who are willing to work with home-based online businesses.

They're all Genuine, Factory-Authorized Wholesale Suppliers and Drop Shippers... and all have agreed and want to work with small home business owners.

Our Staff is consistently engaged in maintaining the database fresh and hunting down more wholesalers who are impossible to find on Google or not online at all.

5. Market Research: Picking Products That Sell

Before we move on with how to locate Factory Authorized Wholesalers its important to note that Market Research (determining what products you are going to sell) is just as crucial to your online success as proper product sourcing.

What is Market Research?:

What is Market Research? It's pretty much what the name implies- You're researching the market, which is comprised of online shoppers and retailers. And Research just means gathering information about the Market, that's directly related to the product you're thinking about selling.

The information you gather will show you whether or not you can compete with that product in the current market. It will help you understand what kind of demand there is for that product, as well as its advertising and marketing potential. Since your market is online, the majority of your research is performed online as well. With market research, your ultimate goal is to find out whether or not "Product X" is a good idea to sell, or whether it's a product you want to avoid.

Most people realize they need to research, but they don't know *HOW to research*. Before you can start, you have to understand the basic elements involved: Keywords, Demand and Competition.

Keywords:

Let's use eBay as an example for a moment; imagine what a mess it would be if there were no search fields on eBay. Sellers would just throw their products into one big pile, and it would be up to the customer to sift through and find what they were looking for. What a nightmare! Fortunately, that's not the case because in the online world just about everything gets sorted by *keywords*.

Search engines, search fields and just about any search function online uses keywords to qualify what results are returned. When you perform a search online, whether you realize it or not, you're typing in keywords. For example, if you wanted to find picture frames, you'd likely type the keywords "*picture frames.*"

Bottom line: Keywords are just words we use everyday when we type. Easy enough, right? Well, from a research perspective, they tell us an enormous amount of information, so learn to love keywords. They are our friends.

Demand:

Simple Definition of Demand: how many shoppers are looking for a product.

A big difference between an online business and a physical store is that the Internet offers you the potential of a lot more customers. You're not bound by location; your customers don't have to be within driving distance.

Because the Internet is so massive, finding out how many people are looking for *one particular product* seems like an impossible task. However, when people search for products online, remember that they're typing *keywords* into their search engine browsers.

There are tools available that track the number of unique searches performed on various search engines for any keyword combination. These Keyword Counting tools let you type in keywords, and then tell you how many people searched for them, over a certain period of time on major search engines. We list our recommendations for Research Tools and Training in our Resource Center. You will find the link at the end of this chapter.

Competition:

Simple Definition of Competition: retailers who are *currently selling* the products you're considering selling. There will ALWAYS be competitors selling what you're selling (unless you make a completely unique product and manufacture it yourself...but that's another eBook :o) We've often heard people say they want to sell something no one else is selling. The problem with that idea is if there was only one retailer selling a Manufacturer's products that Manufacturer wouldn't be in business very long. Just like you wouldn't be in business for long if there was only one customer buying from you. So don't get turned off by competition. It can be measured, and it can provide you with very useful information during your research.

Work with REAL Wholesalers so you don't get false Research Data:

There are many advantages to working directly with real wholesalers, and we'll talk more about those later. What's important to note, right now, is that using real wholesalers allows you to get TRUE Wholesale pricing on the products you sell. If you aren't working directly with the Manufacturer or Factory Authorized Wholesale Distributors, then your market research will be skewed. Middlemen try to get between retailers and actual Wholesalers and increase the true wholesale price of products. During your research, you could end up thinking you can't sell 'Product X' because the profit margins are too low when, in fact, if you worked with the actual Wholesaler, you could compete. It's

Realize that you can't sell certain products:

It's very important to understand that not all Wholesalers are willing to work with online retailers. We'll discuss the reasons WHY in another chapter, but for now, realize there are far more Wholesalers who will NOT work with online retailers, than there are ones who will. It's not uncommon to find real Wholesalers that simply do not work with small businesses, Web Store owners, or auction sellers.

Typically, products like Consumer electronics (i.e. - Ipods, Computers) and Designer Clothes are product areas that only Big Retail chains can afford to sell. Why is that? Why can't you sell iPods if you want? It's because Apple's retailer minimum orders have to be in the \$100,000.00 range. *That's a bit steep for most people starting an online business.* If the real Wholesalers don't drop ship or offer small volume, and you can't afford to buy large volumes, then you don't have a supply for that product. So during your research, realize there will be products you can't sell simply because you can't meet the minimum orders the real Wholesalers require. We'll get into more detail about working with real Wholesalers later; but, right now, let's look at certain errors new sellers frequently make:

Common Mistake: "You have to sell a product you are *Passionate* about"

Often times, new retailers are told they ought to sell products they're *passionate* about. As a result, new retailers commonly base their product selections *solely* on what they enjoy. Basing your product choices entirely on whether or not you like a product is a **dangerous idea**.

Your passion for a product does not (in any way) mean the product will be easy or good to sell. By and large, most people are passionate about the same types of products: Electronics, Designer Clothing, Gaming Systems, DVDs, Computers, etc.

These products, however, are some of the worst a new online retailer can try to sell because it's next to impossible to compete in these oversaturated markets.

There are two common supporting arguments for picking products you're passionate about:

- If you enjoy the product you sell, your business will be more fun to run.
- If you're familiar with your product, you can talk about it more knowledgeably.

We can tell you for sure, your business will NOT be "fun to run" if you end up spending money listing products that aren't selling. Often times, the most successful online retailers sell products they never would have thought of when they started. They let their research guide them, and when they started making sales...then their business was fun to run!

As for "talking about a product more knowledgeably," think of your own shopping experiences. How many times have you decided to purchase a product because the

seller really seemed to like it? Probably not too many.

Remember, if you're using a legitimate Wholesaler, they'll give you the necessary product descriptions for your customers. You don't have to be an expert on a product to start selling it. When you find a good product to sell, you can *become* an expert so you can offer additional tips and advice.

We're not suggesting you avoid products you enjoy; just don't let your passion make your decisions. If you want to sell products you're passionate about, start researching them. Find out if they'd be good to sell—if it turns out they would be, then that's wonderful. But if your research shows you can't compete with those products, you've saved yourself a lot of money and heartache by finding that out *before* you tried to sell them.

IMPORTANT Tip! You can save yourself a lot of time and frustration if you ensure that you can find a real Wholesaler for any product BEFORE you start researching it. It's an enormous waste of energy to research a product, only to find that there are no real Wholesalers willing to work with Internet sellers. Remember, not all Wholesalers are willing to work with smaller online businesses.

So make sure you have a legitimate Factory Authorized Wholesaler willing to work with you before you start researching any product you are thinking about selling.

Compiling a Research List

Making a research list is your first step in simplifying those 'millions of product possibilities.' This is just a list of products you want to start researching. Think of it like a funnel—the wide end represents millions of choices, and the small end is your final selections. This funnel approach will help you organize your research, so you can keep track of where you're going and, more importantly, where you've already been.

- Add products you like

When compiling your research list, start by adding your 'Passion Products.' There's nothing wrong with researching products you like—you just can't base your decision to sell a product on the fact that YOU like it. The best case scenario would be that products you like are also ones you can compete with, so put them on your list, and find out whether or not they're a good idea.

- Add products your friends & family like

When you run out of ideas for products you like, draw inspiration from friends and family. You already know the types of things they enjoy because you've bought them presents, or received holiday requests for items they can't live without. When it comes down to it, we're all consumers, so use your own shopping experiences to help build your list.

- Add products from Unrelated Categories

This is where you'll find most of the good products to sell simply because you're opening yourself up to ideas you hadn't considered. All products can be grouped into main categories. By researching products from completely unrelated categories, you'll begin to see *niches within those categories*. As you delve deeper into each category, you'll find

Don't Get Discouraged:

As you research, don't be quick to throw in the towel if you find that products you're interested in selling don't reflect the kind of profit margins you expected. You'll find, in some cases, your wholesale price is HIGHER than what some sellers are selling that product for! That's discouraging and confusing to most new Sellers.

New sellers often think that, because they're getting true wholesale (if they're working directly with Manufacturers or Factory Authorized Wholesalers), they'll be able to compete with ALL other retailers. While it's crucial that you're connected with real Wholesalers, remember that not all Online Sellers are new, or are working in drop shipping or light bulk volumes.

Wholesalers give additional discounts to retailers who buy in bigger volumes. Some Internet Sellers buy sizeable lots from Wholesalers, stock large quantities of inventory, and ship the products out themselves. It IS more work for those retailers but they get lots of discounts on top of wholesale costs.

Wholesale pricing is directly proportional to the amount of volume you purchase, so if you have an item drop shipped, you're getting wholesale on *one* item. If you buy in light bulk volume, you'll get wholesale, plus additional discounts. If you buy in larger volumes, you'll get even more discounts.

Bottom line: If you're not buying in volume, you can't expect to compete with Sellers who are. When those big retailers tally their discounts into their retail prices, they can sell for less because *they're buying for less*.

This is one of the biggest reasons you want to research. If you find the majority of the current retailers are selling for much less than you can afford to, then you know that's not a product you can compete with.

Don't let this discourage you. It's better to find out you can't be profitable with an item *before* you spend money trying to sell it, than to list it week after week and not see any sales. As you move forward researching products, you'll find ones that you CAN compete with.

6. Finding REAL Wholesalers

We've already established that you really need to work with real Wholesale Suppliers if you want to streamline your Product Sourcing process, and earn the best profit margins on the products you sell online.

We've talked about why wholesalers exist, what Middlemen and MLMs are, and how real wholesalers work. We've already gone over the cheap lists and junk wholesale information that's being sold for a few bucks online, and how buying the wrong information can hurt your business.

When locating real Wholesalers on your own, knowing where NOT to look is every bit as important as knowing where to look.

Why real wholesalers don't advertise in the Search Engines

Most people who sell products online automatically jump into the Search Engines when they're looking for wholesalers of products to sell. Believe it or not, the Search Engines are just about the last place you want to look.

The vast majority of real Wholesale Suppliers do not need (or even want) to advertise on the Internet. For the wholesale supply industry, there is an entire sales and marketing structure that has been in place forever, long before the Internet ever came to be.

Real wholesale supply companies deal for the most part with LARGE retailers: Sears, Kmart, Wal-Mart, etc. These wholesale supply companies have entire sales divisions in place, with salespeople who actually travel to and call on these massive accounts personally. That's the way it's been done for so long that real Wholesale Suppliers take a very serious risk of hurting themselves by deviating from that strategy.

They also realize that this advertised web site approach will attract thousands of very small retailers. That means a large influx of very small accounts; accounts who will only buy a few hundred or a couple of thousand dollars worth of product at a time, not hundreds of thousands of dollars at a time.

Wholesale Suppliers pay their Account Reps good money to bring in and work with new accounts. The larger the account, the better for the Wholesaler. Many Account Reps also earn *commissions* from the sales they make to their accounts. So, from the Wholesalers' point of view, *large accounts are good and small accounts can be more time-consuming than they're worth.*

This doesn't mean that there's anything wrong with small Home-based Internet businesses! Again, this is simply the way most of the big wholesalers view their world and you have to understand that in order to make progress with them.

There are many real Wholesale Suppliers who will work with small retailers. *It's just not usually in their best interest to help you find them!* The big brand name wholesalers of the world just don't go around spending time and money advertising themselves to an Internet audience that they feel won't be a significant part of their overall business.

That's why, as an online retailer, YOU have to go to them. Wholesalers don't go out of their

way to make it easy for the Home-based business owner to find them. However, the CAN be persuaded to work with you if you can just find them and ask.

Why Fake Wholesalers do advertise on the Search Engines

The Search Engine keywords “Wholesale,” “Wholesale Products,” “Drop Shipping,” etc., attract a huge number of people who own or are starting Home-based Internet Businesses. That’s because people who are relatively new to ECommerce are not yet aware of these wholesale scammers and sellers of sub-standard information. Most people simply do not know that the Search Engines are the wrong place to look for real wholesalers.

While 98% of the real wholesalers in the world do not advertise there, for reasons we’ve just discussed, those Search Engine keywords are the Sweet Spot for the Middlemen, the MLM schemes, the “Get Rich Quick” con artists, and the sellers of junk information.

We mentioned before that you can find a very small number of genuine wholesale information sellers there. However, for the most part, you need to stay away from the top results in the Search Engines if you’re researching real wholesalers.

So, where do you find legitimate wholesale suppliers?

When we first started selling products on the Internet, back in the 1990’s, we asked the same question. We wanted to find Wholesale Drop Shippers for our new online business, and started wondering where to look for them. We thought we had the answer back then, just like many people think so now.

Our first instinct was simple: hit the search engines, and search for “Wholesale Drop Shipper”. So, we did just that.

Yahoo returned about 60 gazillion hits touting a popular book supposedly filled with hundreds of drop shippers. This thing was all over the place. Can’t go wrong there, we thought, so we happily zapped our twelve bucks over the Net to one of the countless resellers of that popular book.

We stood patiently next to the mailbox for a couple of weeks, waiting for our shiny new hardbound copy of the book that would make us rich. When it finally showed up, we almost threw it away, thinking it was a junk mail flyer.

In short, it wasn’t much help. Those listings that had phone numbers, we called. Some of them didn’t know what we were talking about. Some of them were willing to drop ship, but we didn’t think we were going to make a fortune selling fake vomit and dribble glasses on the ‘Net. The rest of them were either used-book sellers, or wanted us to mail money to a PO Box so they could send us some other information that would make us rich. Sigh.

OK, back to the search engines. We cleverly dodged all the people who wanted to sell us a “complete turnkey web site package with products ready to sell.” We wanted to put *our* kids through college, not theirs.

We finally located someone who claimed that he was the owner of an import company that drop shipped hundreds of great products. We paid fifty bucks for a “membership,” and got a

no-name catalog in return, with a “wholesale” price list. “Great!” we thought, “here we go!”

We searched and found many of his products for sale on the ‘Net on other sites. The products were identical, but guess what? Their retail prices were the same as our “wholesale” prices. In other words, we had zero profit margin. The guy we signed up with was an MLM scammer, and he was now fifty dollars richer. We were still nowhere.

With a grim sort of last-ditch determination, we dug, and we dug, until we found the real source of this no-name catalog we had paid the MLM scammer fifty bucks for. It was a manufacturer and importer in Texas, and they were actually the source of the products! We set up an account with these people and began selling their products.

A little later, we found another company (“3,500 products you can sell on your own web site” ... that will sound familiar to you if you’ve spent time searching the Net for wholesalers!) and spent weeks sifting through more resellers who were posing as that source until we found that original supplier outside of L.A. We sold products from these two companies for about 6 months, and actually did about \$12,000 in sales, but we weren’t happy.

The products were imported knock-offs. We wanted the shiny new name brands that look so cool on your web site, and that everyone wants to buy. After dealing with about the umpteenth customer who wanted to return his patched leather made-in-Kuala-Lumpur backpack because he wasn’t happy with the quality, we had had enough. It was Name Brand or bust!

After another exhaustive search of the ‘Net, we found a company who offered hundreds of name brand products that they would drop ship. The stuff was great! Everything from Panasonic to Shop-Vac! They sent us the catalog, and we spent two weeks working on our site, replacing most of the knock-off stuff with the “Holy Grail of Name Brand Products.”

Then they sent us the price list.

They had done it to us again. The “wholesale” prices we were supposed to purchase this stuff at were, in most cases, higher than other sites were selling them for! Another Middleman. Needless to say, we were very unhappy.

We decided to go right to the top. Nothing left to lose, right?

We went to the Westclox web site, since that was one of the lines we had wanted to resell from what turned out to be a Middleman. Turns out Westclox was owned by General Time, Inc., in Atlanta, GA. So was Seth Thomas Clocks. We found the number for General Time, and asked for the Sales department.

We explained the situation, and asked if they could refer us to any wholesaler who could drop ship their products for us. “Oh, no problem,” said Jason, the salesman, “we drop ship single units for you right from the factory.”

After about ten minutes on the phone, we were well on our way to establishing an account directly with General Time. Talk about wholesale prices on Name Brand products! This was the real thing! They sent us catalogs, price lists and all the info we needed to get started right away. For free!

As we've said before, you will probably only rarely get a chance to work directly with a manufacturer, if ever. Manufacturers make products, they generally do not wholesale them. So, you have to find the real wholesalers. We got lucky with General Time. However, that was when we figured out something we should have known right from the start, having our backgrounds in wholesale and retail to begin with.

There are people who know exactly who the real wholesalers of every product made on Earth are. It's so simple, we were embarrassed at not figuring it out sooner. Who are they?

The manufacturers of the products! After all, they are the ones who Factory Authorize those real wholesale suppliers in the first place.

So there it is, folks. That's all you have to do. Ask the manufacturer of the products you want to sell, who their Authorized Wholesalers are. They'll tell you.

Who is the Manufacturer?

Ah, we'll bet you were just waiting for a catch, weren't you? Well, there is one, but it's just a small detail.

In order to contact the manufacturer of the products you want to sell, and ask them who the real wholesalers are, you have to know who the manufacturer is first!

That's not always as easy as it sounds.

You can't just assume you know who the maker is, even if it's a popular brand name. RCA, for example, is Manufactured by Thompson Consumer Electronics. You would not know that without looking at the Owner's Manual for the product, or the Serial Number sticker on the back. You need to go ALL the way to the top of the Manufacturing chain, not just to some subsidiary brand name.

If you have a hard time figuring out who the manufacturer of a product is, your best bet is to simply BUY one of the products you want to sell, or take a notepad to your local mall and inspect a demo product on the store shelf if you can. Take a look at the box, the owner's manual, or any warranty papers that come with it. Check out the Model and Serial Number stickers on the back of the product. Somewhere, you will find the name of the product's manufacturer. Then, all you have to do is call them.

Contacting the Manufacturer

Call the manufacturer, identify yourself using your legal business name (remember that little detail?), and ask for the sales department. Tell them your company is interested in retailing their products, and you need to speak with a Sales Rep.

They're going to tell you that they are a manufacturer, and don't sell directly to retailers. Tell them that you understand that; you're just looking for a recommendation for a wholesaler of the products.

It may take some time to get through to a Sales Rep. You may have to leave a message. If you don't hear from them within a couple of days, call again. Stay on their back until you speak to someone personally.

When you do get through to a Manufacturer's Sales Rep, you can ask at this point if they will wholesale products to you direct from the factory, but the answer 99.9% of the time is "No, of course not."

That's OK.

Tell the Sales Rep that you would appreciate a list of wholesale suppliers that he or she recommends.

The Manufacturer's Sales Rep has that information, and should not have a problem emailing it to you.

Then, you'll simply start calling those wholesalers.

7. Working with Real Wholesalers

Now that you know how to find real wholesalers of just about any product made, it's time to actually contact them and try to set up an account. The account you're trying to set up will allow you to buy products from the wholesale company, and re-sell the products at retail to your Web Store customers.

This process will be the same no matter how you found your real wholesale supplier, but we're going to assume here that you found them by asking the product's manufacturer for a list of their Authorized Wholesalers.

Start calling the list of wholesale suppliers you got from the manufacturer. When you get an answer, ask for the Sales Department. When we talked about calling the Manufacturer, you were asking for the Sales Department as well, but that was different. You were calling a Manufacturer, and their Sales Departments only sell to wholesalers. All you were looking for during those calls was information on who their wholesalers were.

This time, though, you're going to be talking to the person who is either going to give you a wholesale Account, or isn't. Your attitude on the phone during this first contact actually goes a long way toward determining whether the Sales Rep will give you an Account. These wholesale company Reps are looking for business-like professionals to sell to. They honestly don't want to waste their time setting up an Account for someone that they feel isn't going to place any significant amount of orders with them. They would much rather spend their time setting up an Account for someone they think is going to actually buy products, than someone who they think is an amateur who doesn't know what he or she is doing.

Remember, you are the one who needs the good will of the Account Rep, not the other way around!

Here are some very basic things, as a Home-based Business Owner, that you want to remember when you call a wholesale Account Rep for the first time:

- Don't make "first contact" business calls from a cell phone. It's annoying to the Reps who have to deal with your signal cutting in and out, and will feel unprofessional

to them.

- Make sure you don't have a stereo blasting in the background, or kids screaming and running around the house, or dogs barking. You want the Rep to think you're calling from an office, not a home. Offices are quiet!
- Never call with an attitude. If you act like you're doing the Rep a favor by calling them, or if you act like they owe you something, that Account Rep will most likely blow you off after your second sentence, and then you'll have to move on to another wholesaler. This needs to be a respectful business conversation. That doesn't mean that you have to demean yourself in any way.

Just be professional, polite, and listen when the Rep is talking. We've spoken to many people who have asked us why they can't get Accounts with wholesale companies, and while we're answering that question, they're interrupting us, and treating us like we're their indentured servants. That's their answer, right there!

Let's remember that most real wholesalers unfortunately still see Home-based Ebiz owners as a very small market.

And, as business owners, we have to understand that it's not just the Account Rep's time that is taken up by setting New Accounts up. The wholesaler themselves spend money on this process as well.

They have to pay their Account Reps, maintain offices, computers, phone lines, etc, just so they can set up new Accounts. When the new Accounts in question look very small to them, they honestly figure that it's not worth the cost of setting up and dealing with those Accounts.

They also know that it's a statistical fact that most Home-based Business Owners won't follow through with orders once they have an account set up. Nothing against Home-based Business Owners; that's just the way it is.

So, most wholesalers you'll deal with probably have some kind of policy in place regarding dealing with Home-based businesses, and that makes it harder to get the Account you want.

What makes it harder still is the fact that most real wholesalers have designed their Account setup process to weed out, so to speak, the people they don't think they'll make any money from. That isn't new; that process has been going since long before the Internet.

In other words, they're going to ask you questions you may not be prepared for right now, and ask you for documentation that you may not have yet. You can prepare for those questions, though, and you can get your documents in order before you call, so that you won't lose a chance to work with a wholesaler before you even get started.

Let's give an example of how we might start an initial phone contact with a new wholesale supplier that we want to work with. We call the wholesaler, and someone named Mike

answers the phone.

We give him our name and the name of our business. For example, *“Hello, Mike, this is Paul Stone calling from Wholesale Finder. Can I speak to someone about a new account, please?”*

Mike tells us that he’ll transfer us to the Sales Department. He does, and Melissa answers the phone, asking how she can help us.

Once again, we identify ourselves: *“Hello, Melissa, this is Paul Stone, calling from Wholesale Finder, in Sydney, Australia. I got your number from Acme Manufacturers. We’re a retailer interested in carrying several of your products. Can you tell me how to apply for a new Account?”*

Now, please notice a few things here. When Mike answered the phone, we didn’t simply assume he was a receptionist, and ask for the Sales Department. For all we knew, Mike could have been a Sales Rep himself. So, we told him who we were, what our company name was, and what we wanted to do. Even if Mike is the Receptionist, he may not have let our call go through if we hadn’t done that.

Receptionists are far more than people who simply answer phones, at any kind of company. They are the Gatekeepers who separate the people who get to talk to someone, from those who don’t get to talk to someone.

They are the ones who can decide to bestow upon you the gift of speaking to a live person, or decide to throw you kicking and screaming into a circular automated telephone system that could take forever to get out of.

Be nice to receptionists.

People who don’t get to talk to someone are usually people who don’t identify themselves properly, don’t sound like a business caller, or act rudely. If we hadn’t given Mike the information we did, it would have led to more questions.

For example, if we had just asked for the Sales Department, Mike would have been forced to ask us who we were, what company we were with, and exactly what we wanted with the Sales Department.

You see, if Mike lets just any phone call through to the Sales Department, he’s going to have Account Reps complaining to him that he’s letting through calls that waste their time.

We gave Mike all the info he needed, right upfront, so that he didn’t have to ask any questions.

There are certain things that you don’t want to reveal to the wholesaler right away (like the fact that you are a Home business), and any chance you get to avoid initial questions is a good thing!

We also spoke to Mike clearly and professionally, in a casual, friendly manner. We want Mike

to think that we're professionals who set up new wholesale Accounts for our company all day long, and twice as often on weekends!

The same exact thing is true with Melissa, the Rep we got transferred to. The first words she hears from us are the first impression we make on her, and we'll never get another chance at that. We want her to think we know exactly what we're doing.

We gave her a little more information, because at that point we knew we were talking to an Account Rep. An important part of that extra information was mentioning that we got her company's phone number from one of the manufacturers they are Factory Authorized by.

When doing this, we could also mention the name of the manufacturer's Rep we spoke to. The wholesaler's Rep probably won't know that person, but it helps if the Rep thinks we're calling on a personal referral.

Now that we're talking to the Account Rep, there are some things she'll ask right away and some things that we'll have to supply in writing later.

When we get to this point, all companies do things a little differently, so we can't go in any kind of order here and expect it to be correct every time. Let's just list the most common things that wholesalers will typically ask for.

What a Wholesaler Wants

The Account Rep may ask you a few initial questions over the phone, or they may simply refer you to a page on their web site where you can fill out the information they need.

There are still a large number of wholesale companies who don't use the Internet very efficiently, so they may ask you for a mailing address instead, so that they can mail you the forms you need to fill out.

• Business Name and Tax ID

One thing you can be sure they'll want is your business name and Sales Tax ID number. We don't care who tells you that you don't need this to buy from real wholesalers. You do. That is the number one thing that so many people simply refuse to understand. If you're going to deal with manufacturers and wholesale suppliers, then you absolutely WILL need a business name and Sales Tax ID.

If you come across someone claiming to be a wholesale product supplier that doesn't ask you for this information, they are not a real wholesale supplier.

If you come across someone claiming to be a wholesale product supplier who has some kind of explanation as to why they don't require this information, they are not a real wholesale supplier.

As we said earlier, there are two basic kinds of Tax IDs. One is called an EIN Number. That means Employer Identification Number. If you start a business using just a sole proprietorship (DBA, Fictitious Name, etc.), like most people do, you simply file papers with your state, and you're in business. You really don't need an EIN number at that point. The EIN number is usually used to report earnings that you pay your employees, among other things.

The kind of Tax ID you need is a Sales Tax ID. You'll remember that we said earlier that a real wholesaler cannot sell you products at wholesale, unless you show them proof that you are authorized by your state to collect that sales tax from your customers.

As we talked about before, there are five States in the U.S. that do not have a State Sales Tax. If you live in one of those States, you obviously can't get a Sales Tax ID from your State. However, the wholesaler will still require proof of your legal business, and may even ask you for an EIN Tax ID.

In a case like that, you can get an EIN number for your legally registered business at www.IRS.gov. It's free, and doesn't take long to get. So, if you're in a sales tax free State, you should look into getting an EIN before contacting wholesalers.

• **Business Information**

The wholesale Account Application will probably ask you for more information pertaining to your business.

These things can include your Business Address, Business Phone, Business Fax, Hours of Operation, etc. When you're a Home-based EBiz, questions like these can make you nervous. Wholesalers aren't always looking overly anxious to do business with a Home-based EBiz, remember.

So, when you answer these questions, consider your answers carefully before submitting the Application. That Application should look professional, and it helps if it looks like it comes from a business location, not a home.

We are not suggesting that you want to hide the fact that you are Home-based. You'll tell the wholesaler that before your Account setup is completed anyway. It just helps if you can legitimately get further into the Account Setup process with them before you end up having to tell them that.

By that time, your Rep will have gotten to know you a bit, and will already be feeling comfortable that you're serious about your business. He or she will have fewer concerns about your business at that point, and will be much more likely to grant you an Account, even if the wholesaler generally does not work with Home-based Businesses. We've seen that happen many times.

If they do ask you that question upfront, be completely truthful with them about it and take your chances. The worst thing that can happen is that you have to go to the next wholesaler of that product on your list. Never lie to people you work with in business.

Here are some things to remember about the business information you put on your application.

- **Business Address:** Your Business Address is, of course, your home address. If your home address is 100 Merchants Road, then it will look to the wholesaler

like you have a business office.

However, if your home address is 234 Sunny Morning Way, Apartment #5, the wholesaler is going to know right away, without a doubt, that you are a Home-based business. The problem with that is that your Application could end up being trashed before they even give you a chance. That's unfair, but it happens sometimes.

You may want to consider renting a local Post Office Box in a commercial area, in order to give your business a more professional look. They're cheap, convenient enough, and this isn't the only reason you'll want one. When you deal with your customers, it's better if your business address sounds business-like to them, too.

- **Business Phone and Fax:** You should put a phone number here that isn't likely to be answered by one of your kids, or by someone who simply says "Hello." When you're first starting out, I know it's hard to justify spending money on a second phone line, so in this case, you can use a cell phone number if you have one.

Again, this isn't just for your wholesale Account Application. Anyone you deal with in your Internet Business that you give a phone number to should get a business-like answer when they call you. If it's going to be your cell phone, change your cell phone's voicemail message to something like "Thank you for calling Mary Smith, of Smith Enterprises. I am currently on another line or away from my desk. Please leave a message, and I'll get right back to you." As for a fax number, if you have one, great. If you don't, just put NIA (Non-Applicable) on the Account Application.

- **Hours of Operation:** When you own an ECommerce Business, your real hours of operation are 24/7! At least, it'll feel that way. Keep this one simple, though, and say Monday through Friday, 9 AM to 5 PM. Even if you're working your day job at that time, your Account Rep can still get your professional voicemail, and leave you a message.

• **Business Status**

You might come across a wholesale Account Application that asks you what the status of your business is. That means they want to know if your company is a Partnership, a Sole Proprietorship (one person), a Corporation, a Retailer, etc. Sometimes your business will be more than one of those things, in which case you write them all on the application. You could be a Corporation and a Retailer, for example.

The wholesaler is probably asking this question in order to determine how solid your company is, and once again that has to do with extending credit. They will consider a Corporation that is a Partnership to be a stronger business than a Sole Proprietorship.

If you see this question on an Account Application, you're probably dealing with a

wholesaler that is pretty demanding in their criteria for setting up Accounts. That's okay, just write in the answers and keep going.

- **Time in Business**

The wholesaler will also probably ask you how long you've been in business. You HAVE to tell them that you are a new business, if that's the case. Once again, never lie to anyone you do business with.

There will always be people out there who will tell you that a certain amount of deception and underhandedness is unavoidable in business. That's not true. On the Internet, your reputation is critically important, and if you are not always honest with everyone you deal with, people will find out. Then they'll post it all over the Search Engines, and everyone else will find out.

If you mislead a wholesaler and get caught later, you'll just end up running a bunch of auctions that you can't get products for anymore because the wholesaler found out you lied, and cut you off. Sometimes they're willing to work with new businesses, sometimes they're not. You need to always tell them the truth and take your chances though, if you're going to establish successful business relationships.

Even so, if you've been at this for say, a few months, you probably don't want to say "four months." You can say "less than a year." If they ask you for the date you started your business, you can just put down the year alone.

- **Trade References and Bank References**

Another question you'll have to answer for most wholesalers is "Who are your Trade References?" What a wholesale Account Application is asking here is "What other wholesalers have you bought from in the past?"

For most Home-based EBiz Owners, that's a tough one, because it's a Catch 22. If you're trying to get set up with your first wholesaler, you don't HAVE any trade references. But your first wholesaler may not set you up without them.

Along those same lines, they'll probably ask for business bank references. They'll want to know who you bank with, and may ask you for certain business bank account information. What they're looking for is information on banks that may have extended business credit to you in the past.

So, they'll want trade references and bank references. Most Home-based EBiz Owners won't have those at first. But, there is a completely legitimate way around those issues which works almost every time.

It has to do with the reason they're asking you these questions. Most wholesalers are used to extending credit to their Retailers. That means, of course, that you can place orders now and pay for them at the end of the month. It's called Net 30: you have 30 days from the order date or invoice date to pay them for the products.

However, if you tell the wholesaler that you don't want credit terms, the need for the Trade References and Bank References goes away. You tell them that you either want to pay for the products with cash upfront, or by credit card, which is what the vast majority of Home EBiz Owners do anyway. If they don't have to process you for an extension of credit, they have a much easier time giving you an account.

Later on, when you've worked with a wholesaler for a while, you can ASK them for credit, and you may get it. Then, THAT wholesaler BECOMES your first Trade Reference, for when you talk to OTHER wholesalers.

- **DUNS (Dunn & Bradstreet) Number**

Dunn & Bradstreet is, for the purposes of this discussion, basically a Business Credit Reporting agency. They do much more, but the main reason a wholesaler may ask you for a DUNS number is so that they can pull a credit report on your business.

Once your legal business gets rolling, it's a good idea to look into getting a DUNS number and begin building your Business Credit Record.

At this point though, the wholesaler is asking you for this for the same reason they wanted Trade and Bank References. They think you want them to extend you Net 30 credit.

You can make this issue go away in the same way as the other. Simply tell them

you do not want Net 30 at this time, and you will pay by Credit Card as you go.

- **Estimate Purchases From Current Suppliers**

This one is fairly rare, but you may see it from time to time. A wholesaler who asks this is trying to establish potential sales that they may make to you. This number will have some effect on their decision to give you an account, but will also be used internally by the wholesaler to estimate their own quarterly sales.

If you're new, and don't currently purchase from other suppliers, just write NIA here.

- **Product Mix**

When you see this, the wholesaler is looking for information on what other products you already sell. A wholesaler of candles and incense might feel like they're wasting their time setting up an account for a Retailer who currently sells radio controlled cars, for example.

Wholesalers are the most interested in setting up Accounts for Retailers that already have an established customer base that already buys products related to what the wholesaler carries. A situation like that makes a wholesaler feel confident that you might be placing many large orders with them over a short period of time. That means sales, and that's what it's all about. So, what your current Product Mix is can be a very important question for them to ask, although not all wholesalers ask it.

- **Size of Customer Base**

Again, some wholesalers will be interested in your current customer base—how many people you already sell to on a regular basis. If you know those numbers, great. If you're new to EBiz and you don't have the numbers, you can always write in "New Business." Wholesalers don't necessarily have a problem with a new business; but if they're asking this question, they are probably fairly strict about new Accounts.

- **Physical Storefront**

Sometimes you'll find wholesalers who want to see information on, or even an actual picture of, your physical storefront. That means that they want you to have a brick-and-mortar store out there in the world somewhere. There are several reasons for that, but mostly it centers around product wholesalers who have physical sales territories to maintain. They can't step on the toes of those sales territories by allowing people to sell all across those territories on the Internet. If they absolutely require a physical storefront, there's no getting around that one, and you should just move on to the next wholesaler on your list.

- **Don't Sweat It**

These are the basic things that most wholesale suppliers will ask you for in an Account Application. Overall, this sounds much harder than it is. Wholesale

Account Reps are people too. Just be prepared, tell it like it is, and ask them to help.

You'll know when it's the right time to tell them that you are a Home EBiz Owner. Sometimes the right time is during your first conversation. Other times, you'll feel like you should wait for them to ask. If they can set up an Account for you, they will. If they can't, there are a lot of other suppliers out there.

Owning a Home-based Business is great thing, not something to worry about telling people. It's just that, by and large, the traditional wholesale world has not really caught up with the 21st century yet.

There are still many wholesale companies that operate out of shoddy dockside buildings, use more pencil and paper than computer hardware, and do business the old-fashioned way. Yet, many of those companies are some of the biggest suppliers out there because they've been around for decades. They'll come around to Home-based EBiz eventually.

You can be sure that if a wholesaler turns you down for an Account because you're new or Home-based, they'll turn down all your competitors too, so at least nobody you're competing against will have that edge over you.

You will get turned down for many more wholesale Accounts than you get accepted for. We certainly did, when our online business was new. That's okay. Just move on to the next supplier on your list, and start again. You will find good suppliers you can work with, and if you're armed with the information above, it will happen sooner than you think.

Resource Note:

At [Wholesale Finder](#), our business is locating legitimate Australian Wholesalers who are willing to work with home-based online businesses.

They're all Genuine, Factory-Authorized Wholesale Suppliers and Drop Shippers... and all have agreed and want to work with small home business owners.

Our Staff is consistently engaged in maintaining the database fresh and hunting down more wholesalers who are impossible to find on Google or not online at all.

In Conclusion...

As you can see, how you source your products is very important to your online business. The most successful Internet Sellers understand that in order to compete online they have to use many different sourcing methods (not just drop shipping, not just light bulk, but a combination), ensure that they are working with Factory Authorized Wholesalers, and pick the right products to sell based on actual Market Research. And now you understand this as well!

Learning about Product Sourcing is an ongoing process, but it's a learning process that can take you to ECommerce business heights you never dreamed possible. Using REAL Factory Authorized Wholesale Sources and thoroughly researching what you are going to sell will be the difference between selling online as a hobby and truly running a profit generating internet business.

We hope you have enjoyed our FREE ebook on Product Sourcing!

You can find more FREE Product Sourcing information on our web site, at: <http://www.wholesalefinder.com.au> (You can also contact us through here in relation to this guide.)

Including:

- **FREE Australian Online Business Startup and Growth** - You'll find several courses you can optin to, and receive practical advice on what and how to properly start and grow your Australian wholesale business on eBay/sites.
- **FREE Preview to WholesaleFinder's Directory of Australian Wholesalers:** Throughout our years of Product Sourcing, we have compiled all of the genuine Factory Authorized Wholesalers willing to work with online retailers into an online database that you can access if you don't want to find and research Wholesalers on your own. You'll get to see a preview of inside the membership.

Wholesale Finder is:

- The Australia's *most Trusted Source* for finding Real Wholesalers
- An eBay Certified Solutions Provider



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