

# Dropshipping Ultimate Guide



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If you are a budding entrepreneur in 2020, dropshipping is something that crosses your mind often, and today we will see how to turn it into a profitable business. A lot of people try digging out information regarding this new business model but fail to find meaningful insights into the subject. Today, I am going to share this comprehensive guide to dropshipping and its role as an order management process with all ins and outs included. While a lot of people hear about this idea as a dead one, I strongly feel that you will be able to run its profitability after reading this article.

Dive in deeper to explore the opportunities of selling without owning stuff below.

## Understanding Dropshipping Business Model

Before we start, please take a note about the three major stakeholders: Manufacturer, Client, And You (aka the retailer.)

Conventionally, the firm which takes the order is the one who produces it and ships to their customers. But, if you are using the dropshipping model, you don't need to manufacture, store, or ship the products at all! You can list the product you are interested in selling, receive the order from the customer, and then purchase it from the manufacturer/distributor. They will take care of warehousing, packaging, and handling, along with shipping the product to the customer.

**Market Stat:** *By 2025, The market size for dropshipping is expected to reach \$557.9 Billion*

You don't even need to touch the products. You can purchase their merchandise under your brand and market them directly. The warehousing also falls on their part, so you don't need to stack the boxes at your garage or storerooms, let alone packing them. They will do it all on your behalf. All in all, this reduces the need for investment as you receive the order and forward it to the manufacturer. They will take care of the rest. And still, you get your cut out of the price difference. You bore only the shipping and marketing charges. It sounds wonderful, doesn't it?

# Dropshipping and Order Management



‘Order Management is the tracking of orders from inception to fulfillment and managing the people, processes, and data connected to the order as it moves through its lifecycle.’ As said by IBM

The entire process starts with a customer placing an order and then the order fulfillment process starts, and the process ends when the customer receives the products. So where does Dropshipping fit in the process?

Dropshipping is one of the methods of order fulfillment process. **Drop shipping** is when the retailer does not store the stock or products but instead transfers its customer's orders and shipment details to either the manufacturer, another retailer, or a wholesaler, who then ships the goods directly to the customer. As rightly explained by Wikipedia as well.

Dropshipping is a great way if as a business, you are struggling with managing your goods. It is also helpful if you are running a small business but you do not have enough

space to store the products. A dropshipper already stores the products and once you affiliate with a dropshipper, you do not need to worry about stocking the goods. This way, the ordered goods are directly shipped by the supplier to the customer.

## **Why You Should Start Dropshipping: Benefits And Opportunities Explained**



First of all, I recommend people who are already in online retailing to go forward with it. Newbies can always start, but they will have to follow the later mentioned steps far more strictly. As an entrepreneur, the only thing you might have in abundance is morale. So I advise you to manage your finances, operations, and time in a systematic manner. If you are willing to do so, here are some of the most amazing benefits listed down below:

- **No Need To Hold Inventory:** One of the foremost advantages of dropshipping is no need to do **inventory management** as the third-party will fulfill the orders from their inventory. Before you forward the order to them, you can compare the best pricing from all the suppliers and make your decision. Thus, all you need to do is to list down the items on your store and directly sell them.
- **Low Capital Requirement:** As we discussed earlier, a majority of 'liabilities' aren't concerned directly with you. This translates to a lower requirement of the capital for investments.
- **No Real Estate And Insurance Required:** You need not purchase or rent a warehouse. A lot of newbies in e-commerce either use their homes or rent garages. The bigger players also need to pay for insurances of the place and stock in many cases. Hence dropshipping is a better alternative.
- **Low Risk Involved:** The only risk in the model is that the client considers you responsible for fulfilling their orders. You have to handle any mishap. As long as there are no problems, you have virtually zero risks.
- **No HR Costs:** Since most of the work is done by third parties, you need not hire staff on your side. The entire operations on your end include only selecting products and deciding pricing.
- **No Risk Of Unsold Stock:** As you don't own any of the stock or make any payment in advance, there is no scope of making losses on unsold stock. The cash cycle starts only after receiving demand for listed items. You don't need to make any commitments to make a purchase to any of your suppliers.
- **Good For Entry-Level Businesses:** A lot of people fear to make the first move. They might want to test if an idea works not. In such cases, having minimal investments gives the liberty to experiment without hurting our pockets.
- **Create Alternate Streams Of Income:** Many online stores have access to a client base that purchases items related to the store's products. If the store doesn't sell them, it can use dropshipping to generate alternate revenue streams.
- **Pursue It As Your Side Hustle:** Are you looking forward to quitting your 9-to-5 job and kick start your venture? If yes, then you can join the internet-driven entrepreneurship wagon as a side hustle. Working after office hours is totally okay as long as you look after essential stuff properly.

- **Test New Products:** Did I just mention that businesses use it for selling products that aren't a part of their lineup? You can test new merchandise without investing any significant amount and later spice up your product portfolio from self-sourced ones.

You can make a considerable amount of money, but the main advantage here comes in the form of exploring new horizons. No matter if you are looking to raise capital for turning your side hustle into a full-fledged enterprise while learning or considering expansion, it's equally effective. Your venture on this level is more of a litmus test as it will give you an idea of whether to scale up or reconsider the products.

One thing I would like to bring to your notice is that all of these benefits come with one primary condition, you dedicate enough time. And of course, if you treat it like a quick-get-rich scheme, you will hardly taste any success. You need to remain consistent, focused, and calculative throughout this feat.

Though it seems simple, there are tonnes of technical aspects to look out for. In the following portions, I will cover the process of successfully entering the landscape. Have a look at the step by step process below:

## **How To Get Started**

Icebreaking becomes tough when we try to enter a highly diverse market. A lot of folks tell us to follow our passions, and that sounds decent. But, when it comes to business, I feel that such advice doesn't necessarily work every time. You will never find any millionaire doing business about things they aren't passionate about. Becoming passionate about things that earn you money is very easy. So let us start with the ultimate guide to getting started in the dropshipping landscape.

### **1. Pick The Products That Sell In Volumes Or Go For Entire Niches**

Pick the product that a lot of people like instead of what you like. In practice, being emotionally driven is not a good idea in business. Yes, being ethical is necessary, but the

attachment is never beneficial in commerce. So, commit to finding out items that satisfy the below criteria for best results:

- Needed frequently
- Inexpensive
- Have a broad market i.e., not limited to specific purposes/ client types
- Have seasonal demands
- Items that can be bundled
- Don't have brand-based competition
- Are light in weight

**So what do these kinds of products look like? Check out this list:**

- Jewelry
- Watches
- Novelty Merchandise
- Purses
- Beauty Products
- Fitness Equipment
- Electronic Gadgets
- DIY Kits
- Cutlery
- Clothing
- Stationery

You see that all of these items are bought frequently, and almost anyone will buy them. The absence of brands will also make it easy for you to compete without large fishes hovering over you. Also, I think that you can see if your own branding can garner better results. You can use the following tools to figure out the successful items:

1. **Google Trends:** It is one of the simplest research tools available in the market. You can use it to measure the trends of any given keyword i.e., the word used as a search query to find out of products on Google. It will give an idea regarding the increase or decrease in the search volume over the span of time.
2. **SEMRush and Ahref:** These are sophisticated SEO tools. But, you will get complete information regarding the search volume in any given area on the planet. You can super localize the area of data mining to get exact results.

3. **Social Media Hashtags:** It's my go-to trick. Since all of these products are available in abundance, you can use social media to find out their popularity. For instance, you can search for a hashtag related to makeup and see what are the trending colors and stuff. It's simple, fast, and realistic.

Once you make your mind, I want you to search out what other people dealing in the same niche do. Starting from scratch adds screen time in movies, but you need to act swiftly, smartly, to make sales.

## 2. How To Run Competitor Analysis

*"You Must Learn From The Mistakes Of Others. You Will Never Live Long Enough To Make Them All Yourself"*

*–Eleanor Roosevelt.*

Dropshipping is a relatively old concept, and a lot of players have been active for years now. You can leverage from their experience by conducting a competitor analysis. Most of the people skip this portion of venturing. But, you should understand that even the biggest conglomerates do it and successful people do it for a reason. This is the most important part of starting your venture, and I am going to discuss the right tools for this purpose.

1. **Ahref and BuzzSumo:** Again, Ahref emerges as a valuable tool for competitor analysis. It will generate the list of all referring domains from which your competitors are generating traffic. Once you have them, BuzzSumo will unleash the share-worthy content. It fetches the data regarding the number of shares on social media to get an idea of what gathers high engagement.
2. **Alexa:** It's one of the cool tools as you dig more about businesses that don't appear in the first few pages of Google. I recommend using it to know what makes some firms perform poorer as compared to the successful ones.
3. **Competitor Website:** Now, this is the all-time favorite trick of entrepreneurs. How do you know what your rivals are selling the best? Simply go see it! The thing is that all successful ones will list the trending zones.



4. **Email Lists:** Subscribe to their email lists as this is one of the most accurate ways to monitor their movements. You can also check out when they are offering discounts and clear stocks.

With the help of these tools and tricks, you will get hands-on insights to their activity and operations. The main benefit of using them is that you will learn the best practices in no time, whereas they spent years devising them. So, when you start, you already have a glimpse of the dos and don'ts, which will save you from making mistakes.

### 3. Research And Find Maximum Suppliers

After choosing your products, the next step is to find the ideal suppliers. There are a lot of places where you find them, and I advise you to find as many as possible. This is because you will negotiate pricing, delivery, and all other particulars before deciding to work with them. In the process, you will filter a lot of them, and even some of them won't find it feasible to work with you. Thus, having more options will only benefit you. I am listing down some of the good destinations to find one along with their pricing:

Platform	Pricing
Oberlo	(\$4.90/\$29.90/\$79.90)/month
AliExpress	Free Sign Up
Doba	\$29/Month

SaleHoo	\$67/Year
Wholesale Central	\$399/6 months
Wholesale2B	\$29.99/month or \$149.99/year
Worldwide Brands	\$249 (One Time Fee)
MegaGoods	\$14.99/month
Dropshipper.com	\$99(One Time Fee) / \$69/month

I feel that you shall have at least two to three suppliers for any given product. Having more than one source always makes us feel more confident about the business. This will also give you an idea regarding the overall prices of the products you are willing to deal in.

## 4. A Quick Checklist For Choosing Right Suppliers

To make the decision-making simple, I am going to share some common criteria that will enable you to select the most suitable shippers. Remember that they are extremely crucial to your success despite being invisible to your customers. I am once again repeating that the issues on their part will turn into your problems because the customer knows only you. Thus, be sure about whom you are working with. Here's the list:

- What is their policy for customer support?
- Do they have tie-ups with logistics partners?
- What is their policy for the replacement of damaged goods?
- Are their products legitimate?
- Do they have insurance for their services?
- Whether their goods are sourced responsibly or not?
- What is their fraud prevention policy?
- How good are they doing in their online reviews?

Most of us forget these aspects and tend to go only for the cheapest pricing. However, I strongly suggest you look at the entire picture. This will save you from getting into any trouble in the future. These questions will help you discover a lot of things about potential suppliers and how much you can rely on them. You can always compromise some profit for assured services instead of risking it all.

## **5. Buy Or Build An Online Store**

There are two options when it comes to starting your online store: Buy it or build it. We will discuss both options. Firstly, you can buy a ready store from places like Exchange. You can find out the ones which are already listed in the category you want to deal in. This will save you time in case you are looking to launch your business quickly or encash seasonal demand for your products. Also, if you are not a techie, this option will serve you well.

On the other hand, building your own store gives you unprecedented freedom to customize it extensively. Shopify is one of the most popular ecommerce platforms on the internet. It's easy-going, highly customizable, feature-rich, and has plenty of updates regularly. Even if you aren't a tech expert, you can choose from their free themes and improvise it. In case you want to go beyond, a lot of Shopify developers are available to get things going. When you start earning, you can also upgrade to the paid versions. However, you will need to invest in digital marketing to attract inbound traffic. Getting listed on Amazon, eBay, or Etsy is another way of entering the ecommerce arena. While you don't have much control over the branding, you surely get a lot of traffic. Customers trust these places as they are already established brands. Though they charge a fixed percentage of your sales, I feel that they are worth it if you want to start cheap and play

safe. You won't earn as much while running your store independently for the same volume, still it's a good choice for newbies.

See what works for you the best. Remember that it is not necessary to do what everyone else is doing. Weigh the pros and cons of each of the options as mentioned earlier and figure out the best choice for yourself.

## 6. Considerations Before Setting Up An Online Store For Dropshipping

In this section, I want to highlight a few considerations for setting up your online store. These things will help you in ensuring the best results. They have subtle effects on the overall profitability, and a lot of amateurs miss out on them. So make sure you go through all of these aspects to serve your interests best:

- **Domain Name, Authority, Maturity, And SEO Health:** This is for the folks who are buying pre-built stores. Under no circumstances, buy anything that doesn't end with ".com" because it will dent your credibility harshly. Others may look innovative or attractive but I recommend sticking with the standard one. Domain Authority is the likeliness of your site to rank on the basis of SEO best practices. Google also considers domain maturity as a ranking factor. Ensure that your site is at least six months old. SEO health includes both the technical aspects of your site, and it's online presence through digital marketing. If you don't understand any of these terms, consult a third party before making any decision.
- **Check Website Penalization:** This is the worst thing to happen: Buying an online store that is penalized by Google for any malpractices. Save yourself with the help of tools like Is My Website Penalized. In the case of penalization, better skip that store instead of planning to rectify it later.
- **Ease Of Navigation:** Minimization is a timeless design philosophy. It is rightly said that the most sophisticated designs are the simplest of all. Make sure that customers can easily navigate through your site and buy the products effortlessly. You can also group and bundle products in trending and sub-trending zones for seamless navigation.
- **Legal Liabilities:** The chances of sourcing counterfeit articles are pretty high, and getting sued for the same is something nobody would like. Therefore, verify against any trademark or intellectual property breaches. I also feel that entering a

legal contract with your suppliers through a dropshipping contract is a must. It will help you mitigate the legal risks in any adverse situation.

## **7. Get Yourself An Automation-based Solution**



(Image Credits)

Once you are live, listing the products, processing, and tracking orders manually becomes tough with time. This is because you need to manage too many items in your product list and keep the pricings updated. Also, checking their availability before confirming an order is not always possible. All of these factors point towards the need for a dedicated automation-based solution. You can invest in an order management system to save yourself tonnes of efforts wasted in the clerical formalities. These solutions will take care of almost all the entire operations and give you powerful reports to explore your business further. A lot of people don't understand the fact that making losses in the initial phase-out of improper management not only demotivates them, but these failures also demotivate their clients. Hence, it is crucial to make a place for automated software solutions in your budget.

## **8. Pro Hack: Use Generic Descriptions**

One of the best things I learned is using generic descriptions. Before becoming active in this field, I wondered why certain stores write non-specific descriptions. They even wrote either of the two and whichever available. This is a remarkably smart way of

selling smaller, inexpensive items that are bundled with bigger ones. If you don't have a product readily available or pricing isn't feasible, you can opt for the other. Many retailers either send the main article without the bundled items or ship them with identical ones. Notifying alternate items through generic descriptions will set the bar of expectations right. It also safeguards you from customers getting angry due to not receiving desired products.

## The Problems Every Dropshipper Faces And How To Handle Them

Everyone seems to sound all praises for this ecommerce sensation. However, there are dark sides to it, which a few individuals discuss. It is imperative to know the ins and outs so that you start getting profits and remain profitable. Here, there are the most common problems faced by every dropshipper, along with the solutions included:

- **Tight Margins:** Your investments are comparatively smaller, and it translates to comparatively smaller margins. It is quite understandable that having little to do with the entire process will leave less room for the margins. Still, I think that the margins are healthy enough because you are either an entry-level entrepreneur or shooting for extra revenue streams. And this is also the reason behind every ecommerce guy advises going for inexpensive products that sell in huge numbers.
- **Fierce Competition:** Of course, low investments mean that it is easy for everyone to become a dropshipper. The low entry bar is the reason behind the fierce competition in this area. You will always find sellers offering the same article as you at a much lower price. Thus, being analytical will give you an upper hand and also save you from making losses on such deals.
- **Overselling:** If you don't have an order management software, you are most likely to sell the products that you can't supply from your existing suppliers. In such conditions, you will have to either cancel the order or fulfill them with losses.
- **Mishaps From Suppliers:** Suppliers letting dropshippers down is the most common issue out there. Delivering the wrong item or a damaged one and being late can cause serious repercussions to you. Whenever such instances happen, I feel that extending support to the customers is the best policy. If you have enough resources, provide a dedicated channel for customer support and always have

legal agreements with your suppliers to define responsibilities in these cases. But, act responsibly with your customer because, for them, your supplier is not even existing. They will contact you, and they will expect you to solve all their problems.

- **Frauds:** Even customers commit frauds, which is a very normal phenomenon. Whenever an order is processed, make sure to fetch their credit card information, address, email id, and look out for fast shipping. The fraudulent orders are most likely to have different billing and shipping addresses, mismatching names and email ids along with fast deliveries to escape. Your ordering software can identify such threats for you.
- **Faulty Items And Logistics:** Make it a point to ship from the nearest suppliers and use the right shipping rates. Usually, people either go for real-time rates or rates based on product types. In cases of faulty items, don't try to collect the previous one before you deliver the right product. Getting the right thing promptly will increase your reputation, and perhaps, fast reverse logistics only cost more without any benefit to you. As we discussed earlier, customer care is a must in these situations.

## Marketing Your Business: Dos And Don'ts In a Nutshell

Coming towards the end, I want to share my two cents on marketing your online stores in the quick summary below. These actionable tips will emerge as long-term strategic benefits for your venture:

### Dos

- Always give priority to organic visibility on Google SERP with the help of SEO practices like blogging, vlogging, and podcasts.
- Go for Social Media Marketing as it is one of the best places to market your merchandise and get quick ROI. Facebook is the leading platform on social media, which offers great conversion ratios. Messenger ads and retargeting ads will go miles for you. Influencer advertising on Instagram is trending in the industry as micro and nano influencers get included in the digital marketing strategies of many brands.

- Affiliate Marketing is a time tested method as you only pay the commission when the sale is made. Including it in your marketing strategy is a good way to boost sales without committing too early.
- Email Campaigns are still very much relevant to the market. Since you already collect them from your existing clients, approaching them is a thing that you should never miss.

### **Don'ts**

- Never make false claims regarding the product; be it graphics or descriptions. Even though you don't make them intentionally, your supplier might be doing it. So watch for that and, of course, beware of trademark breaches.
- Improper budget allocation is pretty common, and the only piece of advice I have is to go slow. It is very sensible to spend a small amount at a time and see what kind of ads have the best conversion ratios.

## **Summing Up**

I have tried to cover most of the areas related to dropshipping and order management. In the end, I will like to inform my readers that, like any other business, it too has its pros and cons. As long as you are willing to pour in time and operate systematically, you will reap reasonable profits. Don't play blind on it as this will only hurt your chances of making money and eventually, your spirit of entrepreneurship. I hope that you will find this guide helpful in your journey in 2020 to become a successful dropshipper.

Useful Resource:

[Check out this video on dropshipping](#)

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