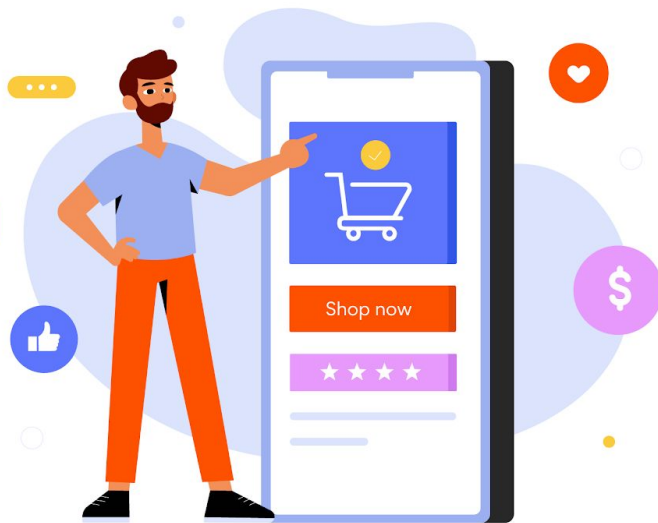


# Dropshipping Wholesalers: A Comprehensive Guide

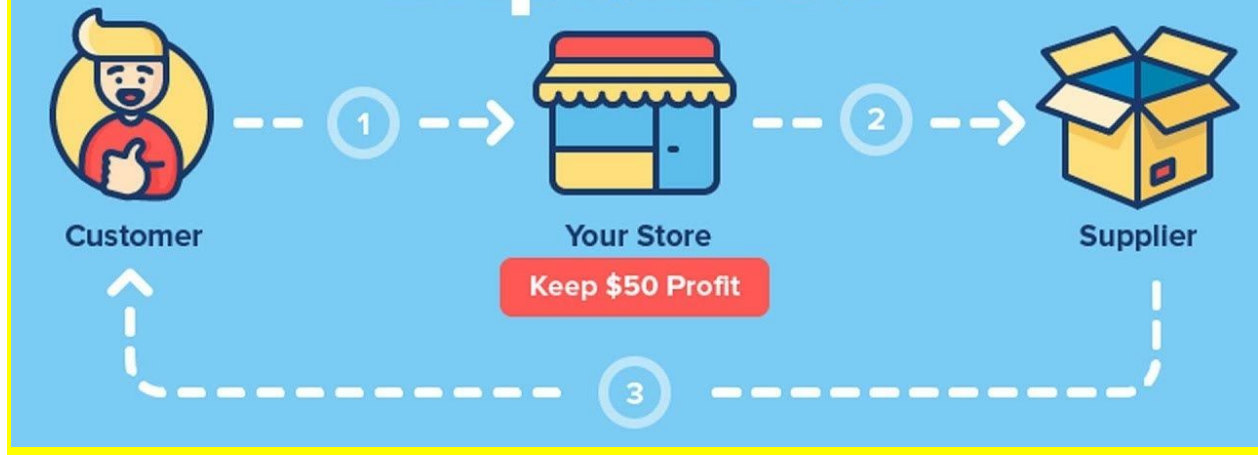
## Dropshipping Wholesalers



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# Dropshipping Explained



Source: <https://www.oberlo.com/podcast/dropshipping-questions-answers>

Dropshipping is a business model that enables enterprising individuals to start their own online business with almost no inventory cost, minimal setup cost, and low risk. This is how Dropshipping works; instead of buying inventory from a wholesaler, you simply display their products on your own website or e-store and when a sale is made, your corresponding supplier will ship the product to the customer. You can also have multiple products from multiple suppliers without stocking anything yourself. Just like a retailer, you make a profit from the markup you set on the product. Dropshipping has relatively lower margins compared to manufacturing or wholesaling. Yet, it allows entrepreneurs to test out multiple new products and product lines in varying niches without paying for it upfront.

Although this business model sounds like a dream come true, it doesn't come sans associated risks and problems. Although the dropshipping supplier ships the product to the customer, but on the return address, your company's details are printed, making the supplier invisible to the customer in this entire process. So, that means any **shipping management**

error made by the supplier directly tarnishes the reputation of your business. Since you don't have the inventory in your warehouse, you have no control over what your customer orders; It might just be out of stock. You also have no control over packaging and shipping, so any error such as poor packaging or shipping the wrong or damaged product reflects poorly upon your company. If the shipping takes longer than usual, the customer will be more likely to cancel the order.

## Why choose wholesalers for dropshipping?



A supply chain is a fancy term describing the path a product takes to go from conception through manufacturing and finally into a customer's hands. The three most applicable players that make up the dropshipping supply chain are manufacturers, wholesalers, and retailers. Either one of these three players can act as a dropshipper. If a retailer were to act as a drop shipper, the pricing would be inflated and not as competitive as a wholesaler. On the other end of the spectrum, what if the manufacturer acts as a dropshipping supplier? Yes, the pricing would be extremely competitive, and it would be the cheapest way to resell, but most manufacturers would have a **MOQ** (Minimum Order Quantity) you'll need

to meet. You will also have to stock that minimum order and re-ship the product to the customer when a sale is made. These limitations make wholesalers the perfect suppliers providing both cost-effectiveness and convenience.

Wholesalers buy products directly from manufacturers in large quantities, mark them up slightly and then they either sell them to retailers for further resale to the general public or they become dropshipping suppliers. Even if these wholesalers do have minimum order requirements, they are generally much lower than those required by a manufacturer.

## How to spot Fake suppliers?



Source:

One of the downsides to being a low setup cost business model, dropshipping has become a very competitive market and a lucrative space for illegitimate suppliers. Unfortunately, due to a combination of slow, outdated websites and bad SEO practices, legitimate retailers have traditionally been difficult to find via a simple google search. So before learning about finding the correct supplier for your business, we got to

understand how to spot fake suppliers and what measures to take against them to safeguard your business and its reputation.

### **Wholesalers usually don't ask for ongoing fees.**

Legitimate wholesalers would not ask their customers for a monthly membership or service fee for the opportunity of doing business with them. Usually, suppliers demanding such payments are fake but do not confuse fake suppliers with supplier directories. Supplier directories are databases of wholesalers, and most directories would charge a monthly or one-time membership fee.

### **Wholesalers do not sell to the public.**

Legitimate wholesalers would never sell or even reveal their pricing to the general public; they would only reveal their pricing to retailers or e-retailers after a thorough background check. So, suppose any supplier is offering to sell their products to the general public without asking for any documentation. In that case, they are likely to be a retailer who is selling those products at an inflated price. To get genuine wholesale pricing, you would need to apply for a wholesale account and submit documents to prove that you're a legitimate business and be approved before placing your first order.

## How to find Legitimate suppliers



Now that you have learned how to differentiate between fraud and the real deal, it's time to learn how to find the best suited wholesaling dropshippers for your business. Once you have your e-store set up, you're ready to link up with a dropshipping partner and get selling.

- **Contacting the manufacturer**

It is one of the easiest ways to find yourself a legitimate supplier. If you know the product niche well, you can directly call the manufacturer and ask for a list of their wholesalers. Contacting the said wholesalers would ensure the authenticity of the product. Wholesalers generally stock various products of the same product niche from multiple manufacturers; this strategy would enable you to identify more products of the same or complementary niche quickly. Utilizing this strategy multiple times would yield you a list of leading wholesalers in the market.

- **Attending trade expos and exhibitions**

No matter what industry you're in, networking can offer a wealth of benefits to your business. An exhibition offers you a collection of all the major manufacturers and suppliers under one roof, you can not only add more suppliers to your list, but being physically present there can also help form closer ties with them. Since dropshipping is a model where you don't come in contact with your supplier's product, this might also provide you with an opportunity to examine and compare the products of various manufacturers. You also get a chance to see what your competitors are doing. Exhibitions help you spread awareness of your brand among wholesalers, manufacturers, and customers alike. It might not be feasible for everyone to attend such expos, but it is undoubtedly cheaper than advertising over traditional or non-traditional marketing platforms.

- **Extensive Google search**

Unfortunately, legitimate wholesalers have traditionally been harder to find owing to their inefficiencies in marketing. Apart from having a slow and outdated website design, they also don't ensure best SEO practices due to which you would most likely find them on the 68th page of a Google search. Fake wholesalers employ better marketing efforts to their advantage and get indexed on the top pages getting more impressions than the legitimate ones.

While a well-designed website might suggest a good supplier, that may not always be the case, so don't judge the wholesaler by their website. To mitigate the issue of finding a legitimate wholesaler, try using a lot of keyword modifiers and various search queries. To find [product] "wholesaler" try replacing the term with various modifiers such as distributor, warehouse, reseller, bulk, dealer, supplier, etc.

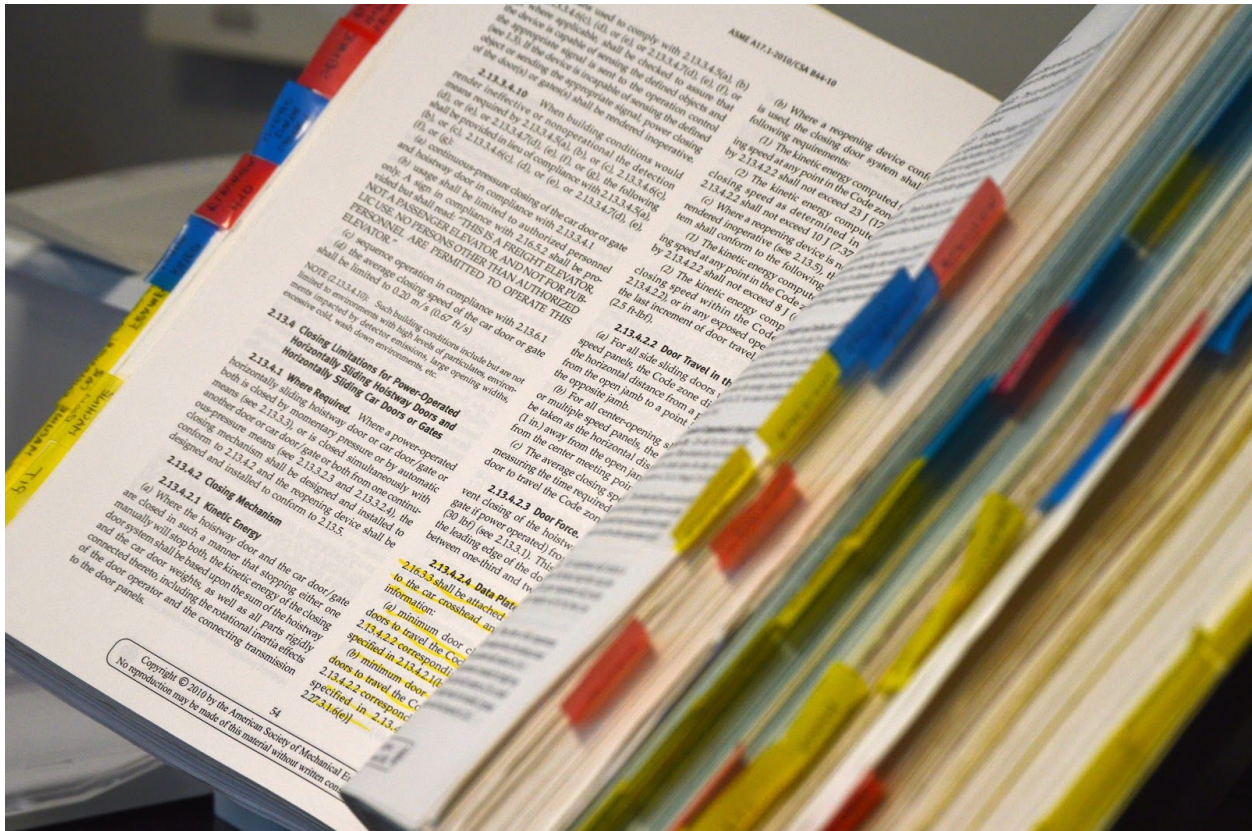
- **Ordering from the competition**

Suppose you're having a hard time locating a supplier because your market is too niche, or maybe there isn't as much demand to justify a wholesaler. You can always use the old, dirty trick of ordering from the competition. Here's how it works, Find a competitor who deals with the same products you want to resell, order that product from them, and check their invoice and packing slip. Although the return address will be that of your competitor, the invoice and packing slip details would have the logo and label of their supplier. Then a simple google search would yield your details of the supplier.

This tactic is a bit shady, and we would not recommend using this. You can choose to use it only if you haven't been able to find a supplier using any other techniques. So keep this technique in the back of your mind, but don't depend on it.



- **Supplier directories**



Supplier directories are databases of suppliers that are categorized according to market, niche, or product. Most directories layout specific rules and guidelines for the wholesalers to employ certain screening processes. This process ensures that the suppliers listed on the directory are genuine and quality wholesalers. In such directories, you would often get user ratings and reviews of the enlisted wholesalers suggesting their reliability and customer service.

These directories usually charge a monthly/annual subscription or a one-time registration fee, without which they wouldn't allow you to peruse their collection. Although quite annoying, the service and value they add to your business is quite worthy. They offer an extensive collection of verified wholesalers under one roof and serve purposes similar to attending exhibitions. If you know your product niche and have started your

dropshipping business with a few suppliers, you wouldn't need to revisit these directories.

There are numerous supplier directories and a comprehensive discussion or comparison of all of them is beyond the scope of this article. But below listed are some of the prominent directories online. Please note, the purpose of this article is not to endorse any directory but to provide you with possible options.

## **1. Worldwide Brands**

### Quick stats:

- Thousands of suppliers with over 16 million products
- Direct Access to All Wholesalers
- Price: \$299 for a lifetime membership

Worldwide Brands, established in 1999, is one of the oldest and widely used supplier directories. This directory is a budget-friendly solution for those competing to sell products on Amazon, eBay, and Etsy. If your business recurrently requires new suppliers and can afford to make a larger one-time membership fee, Worldwide Brands' lifetime membership is a safe bet.

This directory distinguishes itself with an extensive database of upper-market dropshipping wholesalers and its quick-to-respond support team. Worldwide Brands gets 4.9/5 stars on Trustpilot.

## **2. SaleHoo**

### Quick stats:

- Over 8,000 suppliers with over 1.6 million products.
- Price: \$67 per year, Lifetime Plan \$127 (one time)
- 60 Day Free Trial
- 9.6 out of 10 stars

The SaleHoo, established in 2005, has a major focus on presenting you with a detailed database of companies you can partner with for your business. The listed suppliers seem to cater heavily to merchants on eBay and Amazon. Its low-cost membership fee, along with its 60-day money-back guarantee, makes SaleHoo one of the most compelling supplier directories. If your business does not call for recurrent supplier change or only need to use a directory temporarily, SaleHoo might just be your best bet.

SaleHoo's distinguishing factor is the community built around it. They manage a routine blog and forum so you can learn, chat, and discuss with other members. They also offer a Market Research Lab, which provides you a means of finding out which types of products are more likely to bring you higher profits. SaleHoo gets 4.7/5 stars on TrustPilot.

### **3. Doba**

#### Quick stats:

- 165 suppliers with Over 2 million products
- Price: ranges from \$29 - \$249 per month
- 14 Day Free Trial

Doba, established in 2002, has one of the most extensive product offerings that aggregate to around 2 million products. It brings a number of suppliers into one marketplace and allows you to place your orders within Doba as well. You find the product you want to sell, simply list them on

your site, and then start selling. Doba will contact the supplier and send the product to the customers. Doba's membership also offers you a Push-to-Marketplace tool which automates the process of listing items on eBay. If your business' niche has only a few key suppliers or you want to reduce the number of parties you have to coordinate with, this may be the right way to go for you.

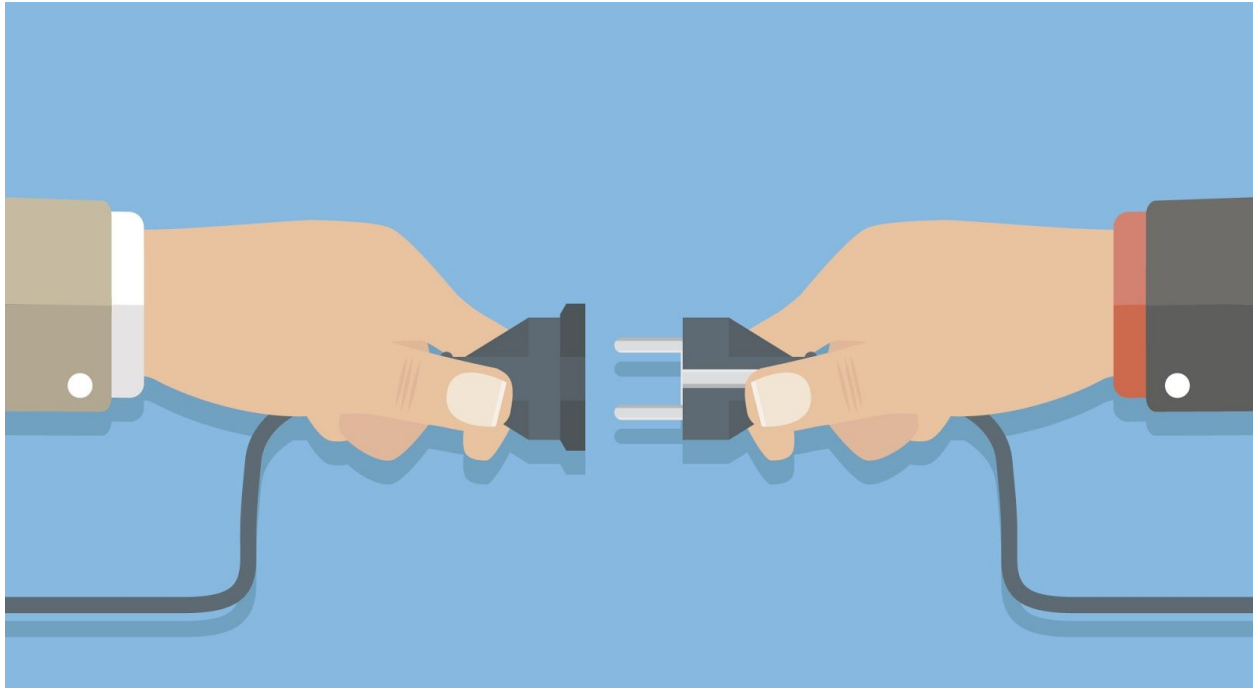
#### **4. Wholesale Central**

##### Quick stats:

- 1,400 suppliers with 740,000 products
- Price: free

Wholesale Central, established in 1996, is an open directory that can serve as a useful tool in doing research. Although browsing may be free, it charges suppliers a fee to be listed. Whenever anything is free, it is bound to be plagued with its associated problems. Along with having genuine wholesalers listed, there seem to be a few fake ones too (retailers posing as wholesalers and selling at an inflated price)

- **E-store apps and plugins**



Many prominent e-stores such as Shopify and Wix offer app and plugin integrations that you can connect with the respective store and leverage the features of the said apps to improve your dropshipping business.

Shopify has partnered with many suppliers in different ways and their apps. Certain Shopify apps will allow you to add products from many suppliers directly to your store seamlessly. Within the app, you can also search for product information such as ratings, the number of times the product has been ordered through the said app, and the number of times it has been imported into other Shopify stores. Some of them allow for automated order fulfillment and price automation along with auto-updates of inventory and current pricing.

WIX enables you to expand your product catalog and grow your business by allowing you to source from millions of high-quality products sold via reliable suppliers. With WIX's app integrations, you can seamlessly automate your dropshipping business without the hassle of inventory

management, order fulfillment, or shipping management. Their centralized marketplace connects you with suppliers from a single dashboard.

Irrespective of the eCommerce platform, many apps offer a free starter plan. However, for unlocking premium features (e.g., shipment tracking, order fulfillment monitoring, upgrading sales limit), you'll need to upgrade to paid plans.

## Things you need to know before contacting suppliers



Now that you have found a good number of reliable suppliers and are ready to move forward, you'll want to have all your ducks in a row.

### **Per-order fees**

Many suppliers will charge a per-order drop shipping fee ranging from \$2 to \$5 or more, depending upon the complexity and size of the shipped items. This is standard in the industry, as packing and shipping of individual orders cost much higher than that of a bulk order.



## **Minimum Initial Order Requirement**

Some wholesalers will require you to order a fixed minimum amount of products for their first business transaction with you. Wholesalers do this in order to filter out window-shopping merchants.

## **You need to be legal.**

As mentioned earlier, most legitimate wholesalers will require proof that you're a legal business before allowing you to apply for an account or view their pricing. So you'll need to be legally incorporated before contacting the suppliers.

## **Call vs. Message.**

One of the biggest fears people have when it comes to suppliers is only picking up the phone and making the call. Emails may only go as far as to solve some issues, but more often than not, you'll have to pick up the phone to get the information you need.



# How to pay your dropshipping suppliers



A majority of your dropshipping suppliers will accept payment in one of the following ways:

## **Credit card**

When you're starting out, most suppliers will require you to pay by credit card because it's a safer bet for them than dealing with cash or cheque. Since you're buying a product for a customer who has already paid for it on your website, you can rack up a high volume of purchases through your credit card without having to incur any actual out-of-pocket expenses. These transactions may translate into benefits such as reward points or frequent flier miles.

## **Net terms**

Another common way to pay suppliers is with “net terms” on the invoice. This means that you have a fixed number of days to pay back your supplier. So if you're on “net 30” terms, you have 30 days from the date of purchase to pay your supplier.

Usually, a supplier will ask for your credit references before offering net payment terms because they are effectively lending you money. This is a common practice, so don't be alarmed if you have to provide some documentation when paying on net terms.

## **Conclusion**

We scoured the internet and tried our best to compile a comprehensive and informative guide on Dropshipping with wholesalers. If you want to start your business using the dropshipping model or extend your existing business with dropshipping, this guide would be quite useful for you.