Drop-shipping/eCommerce Crash Course

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What is drop shipping?

Drop shipping is a popular, though oversaturated – but not dying, business model whereby you run a store and sell products without holding any inventory. As its name implies, it works by having your supplier ship the product directly from their warehouse to your customer's address, so that you as the "seller" never have to even touch the product to make a profit.

PROS SLIDE

Why dropship? Pros:

The benefits of drop shipping are what make it arguably the friendliest business model for new entrepreneurs. These benefits include the following:

Easy to start and setup: Because you don't have to hold any inventory, you don't have to have a lot of capital to purchase your products, you basically "pay as you go". Also, with the convenience of apps like Oberlo, which I'll get into in a bit, marketplaces like Aliexpress, and platforms like Shopify, you can setup a complete system and shop for drop shipping in an hour. Not only that but following this system your sales channel will be completely automated, so you only need to focus on advertisements.

Increased Product Variety: You can offer a handful or a boatload of products on your store simply because it's so easy to integrate products and again, like with all these benefits, you don't have to carry inventory so it won't be a hassle to have a wider pool of products, it's not like you're not spending anything on meeting MOQ's (which stands for minimum order quantity, something wholesale suppliers require you to meet in purchasing their products).

Low Risk: Again, going back to the point of not carrying any inventory, you don't have to worry about overstocking nor about infrastructure and having enough storage space for your products.

Flexibility: You can change your products easily at any time obviously, but beyond just products, since it's ecommerce, you can run your operation from almost anywhere, all you need is a laptop and an internet connection.

Scalability: This is also another more general ecommerce benefit, but with traditional business, if you receive 10 times as much business and traffic, you'll need to scale up your workers, locations, and management proportionally. By leveraging drop shipping suppliers and eventually virtual assistants which I'll get into later, you can cut down on these growing pains greatly.

CONS SLIDE

Why not dropship? Cons:

Of course, this isn't some guaranteed way of getting rich, there's always cons, and risks associated. Let's look at a few:

Reliance on Stock and Supplier: With the benefits of not carrying inventory, you also carry the cons. Namely, if your supplier ever runs into a stock shortage and receives a spike in orders from other businesses, there's the risk that your orders won't be fulfilled. And if they lie and say they're fulfilling your order but actually put it on their backlog, products can get to your customers hands in maybe over a month. This is unacceptable for your customer and has happened to shops before, resulting in them having so many chargebacks that their store would have to be shut down. Therefore, it's absolutely critical to choose a trusted and reliable supplier.

Difficult to stand out: 10 years ago, things were very different, but now, thanks to the spread of information on the internet and the popularity of YouTube and bloggers, everyone knows about drop shipping, it's arguably oversaturated but this of course depends on the product. So, with lots of competitors sourcing the same products from possibly the same suppliers (because it's so easy to start and as it's been popularized and talked about almost as if it's some "get rich scheme"), it's hard to have a unique value proposition for a not so unique product and not so unique looking shop with not so unique services (since all these suppliers are also shipping from China). And it isn't profitable for any supplier to customize your product if you're only ordering one at a time. However, I'll address this later with some techniques you can use to differentiate yourself.

Higher product cost: You will have to pay more for your products from your supplier per order as opposed to bulk ordering and holding stock because suppliers only give bulk deal prices for large orders (typically 200 – 2000 units, which is also the minimum order quantity standard). You will also have to almost certainly follow competitor pricing because your product is likely not unique, resulting in lower margins as many sellers exist and many try to sell at rock bottom prices in an attempt to grow their revenue following the mindset that "oh I've invested so little into this, I can afford the miniscule margins". So even if your site looks better, unless you establish a reputation, people aren't going to stop comparing your products prices to others.

Shipping Hassles: Because you're shipping from China, if you don't choose the most efficient shipping service possible, your costs are either going to sky rocket or your products will take forever. It's also very possible for your products to get lost in transition while crossing the ocean and borders, and in those cases, customers will complain not only resulting in your having to issue a refund, but Shopify hitting you with a chargeback fee. As well, if your package gets lost, your supplier might not really help you out unless you're giving him consistently good business.

So now that we understand the Pros and Cons, lets get into the specifics and look at setting up our own operation:

<center>NEXT SLIDE x 2</center>

First, you'll want to find your niche and products. This is the hardest part in getting started and largely determines your success and profitability. If you choose a product that everyone is selling but you're not an early entry, it's hard to capture the market share, you'll end up fighting for the scrapes. However, fighting for the scrapes isn't always bad, because what the market leaders don't capture can still turn over a great profit.

You should first brainstorm a list of 10 – 30 product niches, for example: Luxury watches, wireless earbuds, vaporizers, air diffusers, anything that makes sense to you, however things that don't make sense to you may also be viable. Honestly, your research will tell you whether your product will be profitable or not. (When I say 'don't make sense' I more so mean something you might not expect to really sell or that people buy. For example, do you guys know about nipple covers? There's a handful of sellers on Amazon.ca who makes $5 - 20 thousand a month selling the same nipple covers from a supplier in China, but I'll get into that amazon stuff later).

GOOGLE TRENDS SLIDE

Your next step should be to gauge market interest on that niche. Specifically, we'll use google trends to start. Also, as a note, I'm going to be using my own experience with my fidget spinner store as sort of a case study throughout this since it was my most successful venture so far and the one that I put the most effort and thought into. So anyways, what you want to see on this chart is a gradual increase in interest over a few years or a spike spanning a few months.

Regarding the latter, with my fidget spinner garbage, it had a lot to do with good timing and good luck, because while doing research for products to sell (I was originally set on doing wireless headphones and gaming keyboards or gaming mouse), I saw a huge spike spanning 2 months for fidget spinners. If you ever see that, it's usually a fad, something that has its interest die out within a few months, but fads are almost always a good opportunity to make quick bank.

More generally however, you'll want to verify that your niche has a rising popularity, not dying. This is NOT what you want to see:

FIDGET TRENDS SLIDE

You'll also want to avoid plateau trends that only spike during the holiday seasons, as they won't be something that will last more than December.

SPIKES TREND SLIDE

I'm going to forsake all of what I mentioned just now and take the example of unique watches, which produces the following trend. Everything you don't want in a niche, decreased interest over the years, and only spikes during Christmas:

WATCHES SLIDE

The reason I'm doing this, is because I did not plan and do my market research, I made the Shopify store first and set myself up for disaster. But, anyways, google trends also allows you to compare multiple interests at a time, and it even gives you information as you saw before, on the specific places where interest is highest, giving you a sense of where to concentrate your ads on as well.

COMPETITORS SLIDE

After this, you'll have hopefully narrowed down your product list to around 10 - 20. The next step is to investigate competitors, see how many you can find out there near the top google search result pages that aren't name brands like Walmart, Ikea, Bestbuy, and the like but instead the ones that pop up on the ads. If the competition isn't too saturated or too dominant, you should be good to go (also make sure your product isn't something people will only buy at a name brand store like bandages and don't do perishables because shipping times are so unstable). You can check all this by evaluating their site traffic with a tool like Similar Web.

VISIT SIMILAR WEB LENDINGLOOP.CA

You'll then want to look at Google AdWords planner. The Google Keyword Planner Tool allows you to search for keywords to determine how many searches per month are being made for that term, how much competition there is competing for it and related search terms, and give you an estimation on prices for advertising, because with eCommerce, most people use google AdWords as their primary channel of advertisement. More on this later.

OBERLO SLIDE

By now you should hopefully have around 5 – 10 products in mind. We'll now want to look for these products from suppliers. Seeing as we're doing drop shipping, we aren't going to be looking for wholesalers. We're jumping ahead of ourselves a bit, but at this point, create a 14-day Shopify trial store and install the app Oberlo in your store (all Shopify apps are installed with the click of a button too so it's painless) and its chrome extension. Oberlo is a godsend for drop shipping and is an app made for integrating drop shipping via AliExpress straight into your Shopify store.

Next, head over to AliExpress and signup for an account. Though I'm sure most of you have at least heard of it, AliExpress is basically an online retail service based in China composed of Chinese suppliers. Their older brother Alibaba is the site where half of Amazon products come from, but that's for wholesale only. AliExpress is the channel these Alibaba suppliers use to do non-wholesale distribution, at a marked-up price.

Now you can find your products off Oberlo's own list of verified suppliers (there's only about 9 so far so you don't have much coverage nor options there), but they have the following benefits:

OBERLO VERIFIED SUPPLIERS SLIDE (read this shit)

ALIEXPRESS SLIDE

You likely won't find what you want from these guys, so go over to AliExpress instead. You'll want to search for the products you have in mind and sort your search by #Orders and check 4 Stars and Up. Also, only regard products that have 'ePacket' shipping available. ePacket is a method of shipping that lets these Chinese suppliers compete with American suppliers as it takes 1 – 2 weeks (not counting order processing times, which can take 1 – 5 days before shipping products out), any other form of shipping from this site will cause you to lose your customers guaranteed.

Now similar products from different suppliers here will all have similar prices. Find 3 – 5 products that you think would work by doing this search PER product list idea (i.e. find 3 – 5 watches for 'Unique Watches' idea, 3 – 5 diffusers for 'Aroma Diffusers', etc) and list down their prices in an excel sheet. Hopefully you find your competitors products here too or at least chose products that are quite similar. After that, compare and subtract the product prices you see for each product on AliExpress to the corresponding or similar product on your competitor's website and workout the profit. Once you've done this, your product list should yield a 'most profitable' niche. Let's pretend our list yielded watches.

Your next step is to install WeChat, a mobile messaging app used by every proud citizen in China. Message your suppliers on AliExpress and ask for their WeChat and let them know you're a big corporation looking to source their products to the US. It helps to be able to speak Chinese, but they'll speak broke English at least. You want to have them on WeChat so that you

can contact them quickly if anything goes wrong with an order since they take 1 – 3 days to respond to AliExpress messages, but only a few hours for WeChat.

Now let me go through a demo of using Oberlo so you can get a sense of how easy this is (demo this shit).

Second, you'll want to pick your point of sale provider. We used Shopify before just to utilize the Oberlo app for its supplier list and ePacket differentiator, but you could always go with something else, other drop shipping integrations exist. Now there're several options out there in terms of platforms including Shopify, BigCommerce, Magento, and BigCartel, these platforms are all eCommerce based and give you the full ability to build out an online store, containing not only shipping and product systems, but also payment gateways. For the cost and efficiency, it makes no sense in 2018 to ever program your own ecommerce platform if you're planning on using it to sell. I'll be going with Shopify in this demo simply because it's the best, it has the biggest ecosystem of the best apps, the best-looking templates, and the most intuitive UI system. It's a bit more expensive than the alternatives, but the costs won't break your back if you're decently profitable. So, once you've signed up, you'll have a plain site that you can edit that looks like the following:

It's not worth the time to write up and integrate your own theme so buy a professional one off the theme store. These usually cost around $100 – 200, but you can edit the code yourself to suite your needs. You can also google for the top converting theme's because people have done research on that. Now import some products through Oberlo and drag and drop UI components around to end up with something more exciting and professional looking:

DEMO LNLP (How to get away with saying it's real X? It's the product lines name)

You'll also want to add several must have pages to your site, including a contact form, about us, shipping policy page, and ensure that your landing page is optimized for conversions. What this means is to use multiple bright colorful call to action buttons to bring them to your products and to ensure all text conveys a sense of urgency. Use the words "Now, Hurry, Quick, Soon, Ending". Also make sure to establish some kind of differentiator that makes your products stand out or sound unique (e.g. Kids love it, (product type) featured on…, exclusive, etc).

SHOW IFIDGETOFFICAL ANALYTICS

Since I have no traffic for LNLP, you can see here how Shopify generates you everything you need to know about your store. You must make sure to constantly read through the analytics that Shopify presents for your store, otherwise you'll fall out of optimization. Knowing what's selling the most and least lets you know how to tune your ads (which I'll get into in a bit) to target those specific products. It also lets you know how your website is being viewed, in this case, at one point I realized most people were viewing my site on mobile, but I had optimized the view for desktop, changing this up led to an increase in around 30% (which is why it looks so weird on desktop, looks a lot better on mobile).

Some further things to work on for your store:

NEXT SLIDE (for each below too)

Register a domain and set that up

ENSURE YOUR SITE IS OPTIMIZED FOR MOBILE

Setup Facebook and Instagram pages. You can advertise on those channels if you want but I'm not familiar with that, so I won't touch on it. Instead I chose to buy 50 thousand likes and followers to my pages just to establish a sense of trust in customers who land on my website and checkout my page. It establishes the sense that this company is legit when really, it's some lone Asian in his boxers at home. You can also use those channels to contact influencers to advertise your products, but the success from this can vary greatly (in my experience, some were willing to make videos for a free product, others with 2 million + subscribers or followers charged $2000 for a shout-out or brief mention).

Shipping page: Don't lie and say it'll take 1 – 2 weeks flat, since it likely won't, given order processing times take 1 – 5 days before things even ship out through AliExpress. Instead, manage your customers' expectations by telling them during busy times it can take 2 – 4 weeks (it'll happen to most customers, but you must interact with them as if they're the odd one out and shipping for other is always quick).

Return page/policy: Make it a hassle for them to return things, make them provide a lot of evidence, and as a last resort, offer them a 50% discount for another product. Don't give them their money back, turn it into an opportunity for you to make a profit (I realize that I sound evil, but this is the reality of commerce).

Some external systems to setup:

Signup for Mailchimp because you're going to collect your customers emails through orders and the wheelio app and feed them through to email out promotional campaigns. Mailchimp lets you do AB testing which means sending certain versions of an email out to some percentage of your mail list and a lot of other useful features.

Signup to Zendesk and integrate it with your Shopify store to handle your customer support tickets. Most of the time it'll be "where's my order", in which case you send them the tracking number from Oberlo manually in case they didn't get it and tell them you've received a spike in traffic recently and it will reach them shortly. Once your business scales up a lot, write a bunch of template responses and hire a virtual assistance from India or East Asia for $15 a day to handle your customer service.

Must have apps: I would recommend you add optimizing apps in based on your sales since they do have monthly charges associated, as with Zendesk and Wheelio. However, these apps are guaranteed to increase your sales and conversion percentage. The key one's I would recommend as must haves are:

- **Abandon Cart Protector** for reminding customers who have left things in their cart and left the page. (most of these types of apps let you automate emails to send out in different time frames consecutively with custom content)
- **Reviews app** (you control what reviews show on your site, you can upload an excel file for your products of reviews you write)
- **SEO evaluation app** (aside from MOZ, these also tell you what to do to improve your SEO score, such as make sure your images are jpegs, high quality but small in file size, and have file names made up of keywords related to the image)
- **Countdown timer app** on products that instills a sense of urgency, it never runs out of time of course and refreshes once it reaches 0. (These can display time until sale is over or quantity of product left)

(SHOW LNLP AGAIN)

- **Social proof promotion popup**, an app that makes a popup appear at a set time that you control that displays a popup saying someone has purchased some product from your store, makes your store seem more legitimate.
- **Wheelio**: This app helps to optimize your sales funnel by grabbing the emails of leads who land on your page. It does this by presenting a big spinner wheel when someone lands on your page that they can spin ONLY if they enter in their email. You then set prizes on the wheel (e.g. 20% off, 10% off, free product) and corresponding chances of landing on those choices. What most people do is set a coupon for 5 – 10 % off at a landing chance of 100% but show options of 50%, 75%, Free product and the like to entice people to play. Winning the guaranteed prize also gives them a feeling that they should make the most of this opportunity and buy something (especially if you write in the note that the coupons expire soon)

Finally, now that we have our store setup and our products ready to go, how do sales actually happen? How does someone get to my site and start buying? Well you could have grown an organic audience so that people find you naturally through Facebook, Instagram, and YouTube, but this would take multiple years. You could also pay a big and expensive influencer to shout you out, that would cost you a large amount of capital and wouldn't result in prolonged consistent funneling of leads. Instead, for a consistent and immediate way to get people to see your products and on your site, choose to invest in advertising via Google AdWords, Facebook, or Instagram. Whatever suites your product best.

I'll touch on Google AdWords a little bit because it's a very lengthy topic to give a tutorial on and since it's what I'm most familiar with and the most successful for sales. What I mean by this is that channels like facebook and Instagram are great for raising awareness for your product, but google is more efficient, as people searching on google are doing so with some intent (e.g. buy shoes, best headphones)

Google makes 95% of their $60 billion in annual revenue solely from Google AdWords. An ad basically consists of a title and description related to your ad that you can write and optionally an image. (You can hire a professional copy writer to write your ad for you, but it's likely not worth it if you put your time into split testing various ads)

Google counts the #clicks on your ads and charges you accordingly, but also counts the #views it gets to let you know your CTR or click through rate (clicks divided by impressions/views). This value basically tells you how successful your ad is.

Payment for Ads works by an auction and bid system. You set a bid on a keyword related to your ad, which is how much at most you're willing to pay for a click so that it shows your ad only if others aren't bidding more. There's a lot more detail in how ad winners are chosen, it isn't all about the bid price actually - but that's a topic on its own.

When using AdWords, it's important to optimize every single day and review your statistics. Running your ads at different hours and on different weekdays greatly affects sales (e.g. 8 – 10 works best for sales since before that people are at work and 6 – 8 is typically family dinner time). You have to monitor it daily because you set a daily budget for your ads, so if you see your ads are performing unexpectedly poorly, or it's a family holiday or something, you have to make sure to pause your ads that day or you'll run through all your funds.

Now I'll very briefly go over Amazon FBA, known as fulfilled by amazon. This is important as it's the most popular alternative to drop shipping. What it entails is you order products from a wholesaler, allowing you to customize the logo on the product to be your own, a process of rebranding called white-labeling. You then ship your products to an Amazon warehouse near you, and then they handle returns, customer service, and shipping. This is what many products on Amazon actually are, the same thing as Chinese products but with a custom logo or brand.

This business model offers you less responsibility, but more monetary risk because having to ship in stock to amazon means you'll have to take the risk of ordering wholesale (which entails not knowing if all of your product will sell).

Amazon also charges you for fulfillment services and storage of course. There's a great tool to use if you're going down this route to help determine viability of products called Jungle Scout. It's a chrome extension that basically gives you very accurate estimates on the profitability and sales of products listed on amazon.

Some final tips:

1) Never agree to refunds for chargebacks, always fight chargebacks. The reason being Shopify will hit you with a fee for chargebacks on top of other chargeback fees from banks.
2) 80/20 rule typically applies to selling products as well in terms of profit. Given this, a technique I find that works well is to add in some dummy products and set their inventory to 0/ sold out so give off a sense of urgency and show people are really buying your products.
3) With your ordered samples from suppliers, hire a professional photographer to take pictures, since most people will be drop shipping your product too, they'll all be using the same images supplied by your supplier. This is an easy way to make it seem like your product is the real deal.
4) Just something I've noticed across a lot of stores, people in the southern states are much looser with their money when it comes to buying consumer products, so make sure to really inspect your website and purchasing analytics and target your ads accordingly – missing out on any optimization is a waste of money.
5) Part of search engine optimization and increasing your websites page rank organically is through backlinks. Having other sites with high SEO values link to your site adds a lot of value, which is why bloggers are useful. There exist Blackhat marketing forums where you can buy thousands of backlinks to your site, but from what I've been told by people in the business for over 10 years is that this will hurt your SEO score since the quality of those sites that are linking to you are very low.

If you want to spend a small amount and try ecommerce out for yourself if you ever find yourself with a good niche product idea, I definitely recommend using the Shopify 14 day trial with google AdWords, which usually gives you a good promotional deal if you're new (I think there's one going on now where they provide you with 100 dollars in ad credits if you spend 25 dollars).