

Title:

The Value of Drop Shipping: The Calculation

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Summary:

Calculate how much time drop shipping can save you versus standard shipping methods.

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Article Body:

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Before we decide what your time is worth to you, let's find out just how much time is saved by using drop shipping.

As an eBay PowerSeller, I have some experience in both traditional packaging and shipping, as well as using drop shipping. To begin our calculation, we will take a look at how long it took me to run a traditional auction. Regardless as to whether you use drop shipping or not, some things take the same amount of time (such as the listing time, time spent preparing an item description, market research time, etc.). These things won't affect our calculation, so we'll ignore them.

First, the item description. For the most part, there won't be any difference here. However, by using drop shipping you are able to use the supplier image. This can save some time in that you won't need to worry about taking pictures, editing images, and uploading them to eBay or a third-party image hosting service. In the case of Doba, members are actually given rights to "hot link" to the images hosted on our servers. This can save even more time.

I'm a bit of a perfectionist. It would take me at least 30 minutes to take and edit several pictures (I almost always use multiple images in my item descriptions). Let's say that for anybody else, we'll conservatively estimate 15 minutes for pictures.

Total time used so far: 15 minutes

After listing the auction, we wait until it has ended. After accepting payment

and receiving the shipping data, we need to package, address, and ship the item.

Packaging time can vary. Something small that can fit in an envelope will only take about a minute to package. Something larger might take several minutes. Add on top of that the time required to print or write out address labels. Then there is the cost of packaging materials such as boxes, packing peanuts, packing tape, etc.

Let's make a conservative assumption of 5 minutes to address and package an item.

Total time used so far: 20 minutes

Times on getting the item shipped can vary greatly. If you are using the Postal Service, time spent in line can take up to an hour or more depending on how busy the post office is. Alternatively, most post offices now have self serve counters where you can weigh your package, input the dimensions, and pay at a machine that calculates the postage for you.

But you still need to drive to the post office. Let's assume an average to-and-from commute time of 30 minutes (this is about how long it takes me, being about 15 minutes from the post office) plus at least 10 more minutes spent working with the self serve machine (assuming one is free to use right away).

Total time used so far: 60 minutes

Now you're done! It only took an hour. In addition to time, there are other related costs. We already mentioned the packaging materials. Let's go for a conservative average of \$2 per item shipped. Then there is the fuel needed to drive to and from the post office. Even if your car gets a 35 miles per gallon, and assuming a round trip of 10 miles, you're still looking at somewhere between a quarter to a third of a gallon is spent (28.5% of one gallon to be precise).

Where I live, gas is currently \$2.80 per gallon (assuming you don't get premium). My 10 mile trip, assuming optimal mileage, would cost \$0.80. So we can add \$2.80 (\$2 for shipping materials, \$0.80 for gas) onto the cost of shipping an item by ourselves. We won't bother getting ticky tacky with related maintenance costs of your vehicle.

Okay, now let's calculate the total cost so far. We've spent 60 minutes of our time. Only you can decide what your time is worth to you. Only pay yourself minimum wage? Then you should expect a reimbursement of \$8.05 from your sale. If you are a high-paid consultant that commands \$300 per hour, well, hopefully the

item you just sold went for a nice high price.

To calculate what you should expect, simply add \$2.80 onto you value of time per hour. Simple, right?

I'll admit, there are ways to minimize the time and cost involved with doing it yourself. For example, you could (as I once did) package several items and take them all down to the post office at the same time.

Here's my counter to that speaking from personal experience. In less time than it takes me to label each of those packages with the appropriate shipping address, I could just input the addresses into my Doba account. At that point I'm done, and believe me I'm a happy camper as a result!

Next, we'll calculate how much time it takes to do the same process using a drop shipper like Doba.