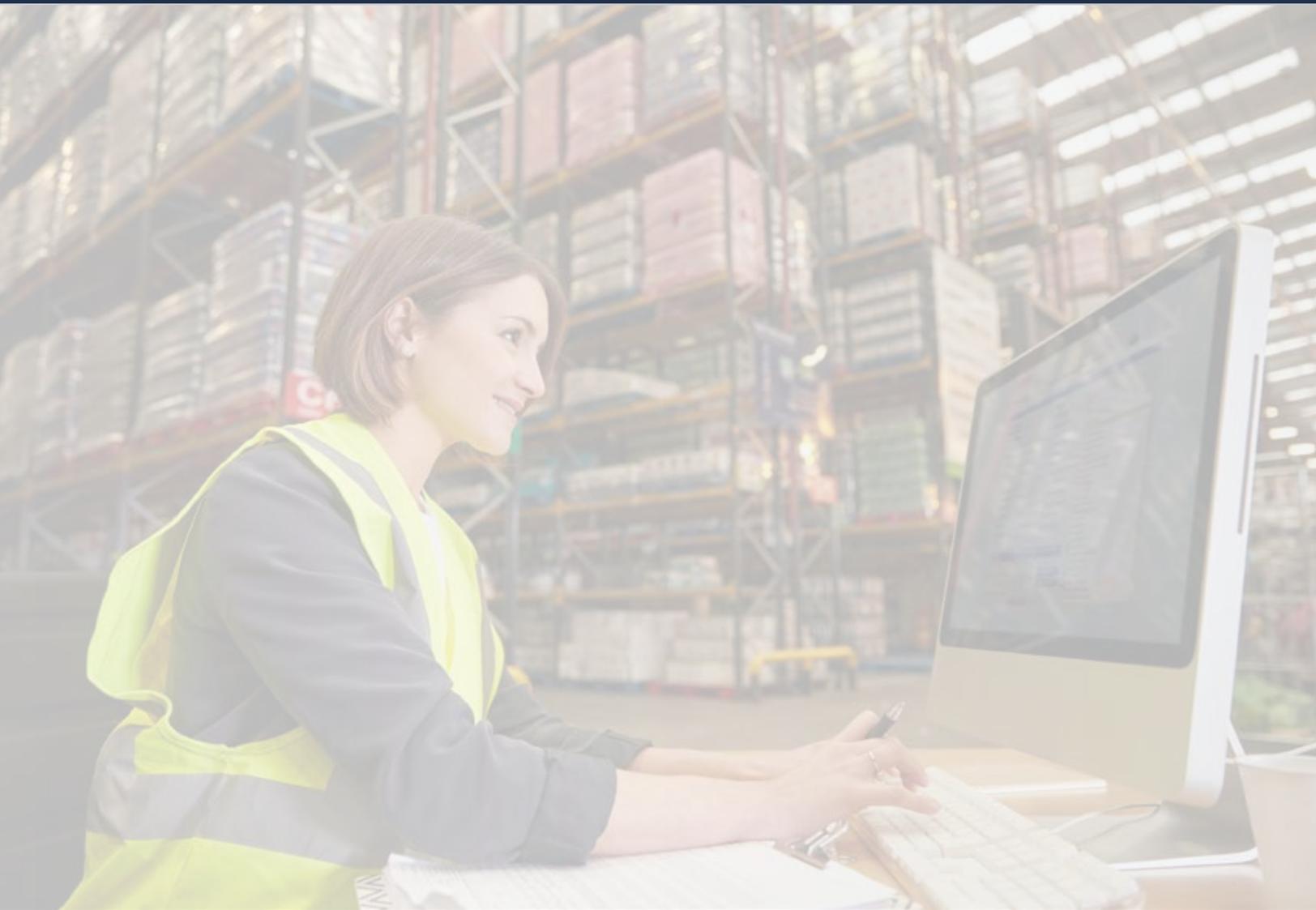


10 Ways to Source Inventory for Your Ecommerce Business

Everything you need to know about sourcing inventory so you can find the right products and maximize your margins



10 Ways to Source Inventory for Your Ecommerce Business

Introduction

As an ecommerce seller, you wouldn't have a business without inventory. What's more, your business wouldn't succeed or grow without the right inventory — after all, you want to sell products that are actually in demand. Not only that, you want to maximize your margins, which means you should source your products in a way that's most efficient — and hopefully more profitable — for you.

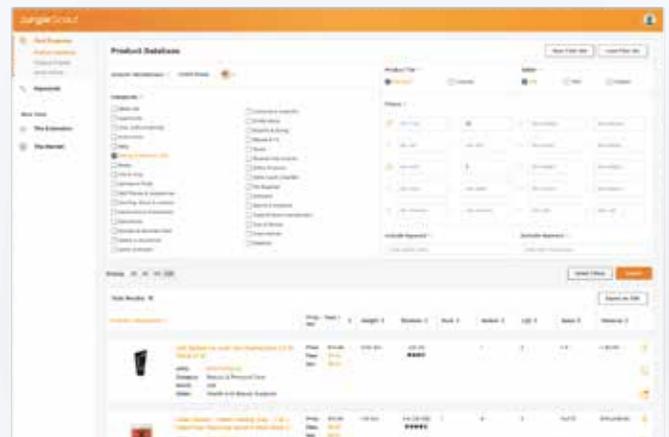
Fortunately, there are several different ways of getting products these days and we're breaking down the top 10 so you can find the right method and set your business on a path for growth.

Table of Contents

- Retail Arbitrage p.3
- Online Arbitrage p.4
- Dropshipping p.5
- Wholesale p.6
- Private Label p.7
- Alibaba p.8
- Auctions & Thrift Stores p.9
- eBay p.10
- Yourself p.11
- Virtual Assistants/Outsourcing p.12
- Conclusion & Sources p.13

Pro Tip

No matter how you source, make sure you are aware of Amazon's gated brands and products so you don't invest in something you can't actually resell — and lean on resources like [Jungle Scout](#) which will help you find the most profitable items so you can invest in inventory with confidence.



10 Ways to Source Inventory for Your Ecommerce Business

1. Retail Arbitrage

WHAT IS IT?

Buying heavily discounted products from retail stores and reselling them for a profit

With retail arbitrage, you'd shop clearance aisles at big box stores (think Walmart, Target, Big Lots and CVS - to name a few) and scour liquidation and surplus stores for heavily discounted items. But you wouldn't buy just anything because it's on sale — after all, you want to make sure you can resell it. So consult a tool like Jungle Scout for one-click product research to see what's in demand and will make you the most money. After finding the most promising sale items, you'd resell them at or just below the retail selling price. By pricing just below retail, you give yourself competitive edge while still making a profit.



Pro Tip

Chain stores often carry the same items and **generally clearance them at the same time**, either because of seasonality or restocking. So if you find a good deal at one location, you will likely find the same one at other locations near you. Not only that, **demand may differ in person vs. online.**

In other words, "you could also find regular priced items that sell for much more on Amazon. It's all about supply and demand," according to our friends at Feedvisor. "Your local store may have a large supply of an item that isn't selling so they put it on sale to get rid of it, while across the country someone is desperately searching for this very same product, and then find you selling it on Amazon."

At the end of the day, do your research to see what's trending/in demand online before you hit any stores.

PROS & CONS

Pros:

- No large upfront investment required
- You're primed to make a large margin

Cons:

- Time-consuming
- No guarantee you'll find sellable goods
- Not scalable or sustainable

2. Online Arbitrage

WHAT IS IT?

Buying discounted products online and then reselling them for a profit

Online arbitrage is just like retail arbitrage only you're shopping online instead of in person. Because you don't have to physically drive from store to store, it's also more efficient than retail arbitrage. Not only that, there are several tools you can use to compare product pricing across multiple online stores, including Amazon. These tools, such as Source Mogul, Invisible Hand, Tactical Arbitrage and Cleer Platinum, will give you peace of mind that you're getting the best deal and, in turn, the highest margin.



Image source: Online Selling Experiment

PROS & CONS

Pros:

- Efficiently find products and compare prices
- Don't have to leave your home/office

Cons:

- Must rely on shipping times, so won't get inventory in-hand right away

Pro Tip

To get even more bang for your buck, consider shopping online with a cash-back service like Ebates or Swagbucks.

3. Dropshipping

WHAT IS IT?

Having a third-party fulfill your orders on your behalf

Dropshipping is a low-cost method for buying inventory. After all, you don't have to make an upfront or bulk investment, pay any warehouse storage fees or manage shipping and its associated expenses. Instead, you purchase product from a third party only after you've made a sale, then have that third party manage the fulfillment of the order. With dropshipping, you essentially act as the middleman between a supplier and a customer, but the customer assumes they are buying directly from you.

PROS & CONS

Pros:

- Don't have to carry any inventory or pay warehouse storage fees
- More forgiveness for a poor-selling product since you only purchase after a customer orders

Cons:

- Can't control how well something is packaged
- Can't guarantee an item isn't defective (or already sold out) before it ships
- Margins tend to be low because someone is doing the fulfillment for you

Pro Tip

There are a handful of [dropshipping companies](#) that specialize in this ecommerce business model — and, even if you don't primarily dropship, these companies can help you avoid stocking out by giving you what's referred to as the "endless aisle".

According to our friends at nChannel, "as soon as you sell your last on-hand item, start forwarding incoming orders directly to a dropshipper, who will fulfill the order directly. You seemingly always have stock on-hand, which appears as an 'endless aisle' of products to your customer."



10 Ways to Source Inventory for Your Ecommerce Business

4. Wholesale

WHAT IS IT?

Buying brand name products directly from the manufacturer or brand owner, most often in bulk and therefore at a discount

Selling wholesale allows you to give your business the best chance to scale. But not all wholesalers are created equal. You have to find legitimate suppliers. One way to do this is by contacting the manufacturer directly. Chances are, they won't sell to you directly, but they may share their distributors' contact details with you. Not only will this ensure you are working with a legitimate entity, it could also save you money. After all, you're effectively cutting out the middle-men.



According to our friends at Ecomdash, "The more steps there are in the distribution chain, the higher the price you will pay for your products. When it's possible, go directly to the source for purchasing (or as close as you can get). This will help keep your costs down, and your margins higher."

PROS & CONS

Pros:

- Strong path to scalability
- Get lowest possible price compared to other methods, so you'll end up with higher margins

Cons:

- Requires more startup capital than other methods as you'll have to make large upfront investment inventory

Pro Tip

Your status as a buyer/reseller is extremely important when it comes to going the wholesale route, so make sure you get the necessary approvals to resell a particular product or brand. If you're not an authorized seller, you risk getting flagged for copyright infringement and could be suspended from your ecommerce platform. For more wholesale help, check out this wholesale success story from [The Wholesale Formula](#).

10 Ways to Source Inventory for Your Ecommerce Business

5. Private Label

WHAT IS IT?

Buying generic products directly from the manufacturer, adding your own labels and selling under your own brand

Selling private label is just like sourcing from a wholesaler, except you have the added step of branding your products. You also have to find a manufacturer that will allow you to use your own brand which, in many cases, can be found overseas.

PROS & CONS

Pros:

- Since you're selling your own brand, you cut out a lot of middlemen and therefore lower your costs and increase your margins

Cons:

- Similar to wholesale, private label requires more startup capital
- Often requires you to work with a vendor overseas, which means navigating through different time zones, language barriers, customs fees, and more.
- Lengthy process



Pro Tip

Sourcing from China and overseas is a common practice in ecommerce because prices tend to be lower than in the U.S. Just keep in mind that production takes time so planning ahead is key. According to Tim Jordan from Hickory Flats, here's what a typical timeline looks like when ordering private label from China:

- Pay supplier to begin and get production done - 40 days
- Inspect and ship from China to USA via Ocean (assuming no clearing delays) - 45 days
- Once they land, they need at least 5 months of inventory. That lets them sell without immediately ordering more. So be sure to plan ahead, especially for holidays and seasonality.

To start your search for an overseas supplier, Hickory Flats can do the work for you, or you can check out sites like Global Sources or Alibaba (more on this on the next page).

10 Ways to Source Inventory for Your Ecommerce Business

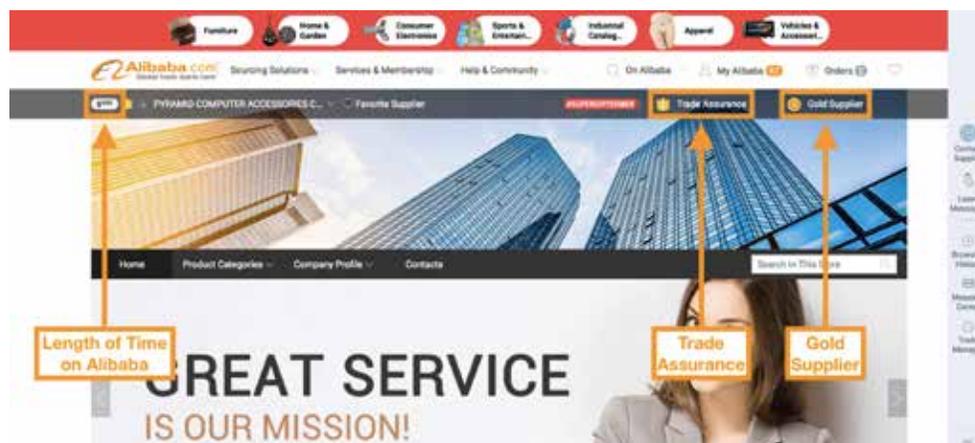
6. Alibaba

WHAT IS IT?

Buying in bulk and at a discount from leading wholesale marketplace in China

Alibaba, often referred to as “Chinese Amazon”, is one of the largest online marketplaces in the world, with a massive product offering and extremely inexpensive prices. However, fraudulent activity is a concern, so you want to make sure you find a trustworthy Alibaba supplier. There are a few ways to do this:

1. Research! Simply look up the supplier name and “scam” and see what comes up.
2. Check their legitimacy. How long have they been on Alibaba? Are they “gold” suppliers? Do they have Trade Assurance? Is their email address from an actual business and not something like Gmail? Will they share customer references? Do they offer samples? Before shipping you your inventory, will they send you pictures of it you can do a quick quality check?



3. Compare their prices to other suppliers — if they are dramatically lower, consider it a red

PROS & CONS

Pros:

- Inexpensive prices
- Wide range of products

Cons:

- Often lower quality and, in some cases, counterfeit items

Pro Tip

Visit our friends at [Jungle Scout](#) for an in-depth guide on [how to ship from China](#) plus [how to find the best Alibaba suppliers](#).

Jungle Scout

10 Ways to Source Inventory for Your Ecommerce Business

7. Auctions and Thrift Stores

WHAT IS IT?

A type of retail arbitrage that is specific to auctions and thrift stores

If you're running a retail arbitrage business, you're not limited to clearance aisles, discount stores or liquidation sales. Some ecommerce sellers have found high-profit items by going to auctions, garage sales and thrift stores. Of course, these items are most often used and you won't be able to buy them in bulk, but that doesn't mean you can't resell them for a profit. In some cases, even, a high profit. For example, if you find an item that's not well represented on your ecommerce platform, it could command a high price.

PROS & CONS

Pros:

- Little to no competition
- Often requires minimal upfront investment

Cons:

- Time-consuming to actually shop/find something worth reselling
- Limited quantities available/rarely find more than one of a really profitable item
- Harder to resell used items unless they are collector's and/or like new



Pro Tip

Thrift stores have been overwhelmed with donations so far this year thanks to Netflix's popular documentary series *Tidying Up with Marie Kondo* - so if there was ever a time to try this method, it's now.



10 Ways to Source Inventory for Your Ecommerce Business

8. eBay

WHAT IS IT?

A type of online arbitrage and auction/thrift store shopping that is specific to eBay

If you're interested in sourcing high-profit one-of-a-kind items but don't have the time or resources to visit auctions and thrift stores in person, eBay is a logical option.



PROS & CONS

Pros:

- Little to no competition
- Minimal upfront investment
- Opportunity to price high and maximize margins

Cons:

- Likely can't duplicate your efforts since these items are one-of-a-kind

Pro Tip

In this particular instance, we are NOT advocating for "Amazon to eBay arbitrage" or dropshipping from one platform to another, whereby you effectively steal a listing from a site like Amazon and repost it on another platform with a higher price (this method is often frowned upon and could be grounds for suspension).

10 Ways to Source Inventory for Your Ecommerce Business

9. Yourself

WHAT IS IT?

Fully control the manufacturing and branding of a particular item

If you want to have total control over your products, you could go the advanced route and [manufacture your own branded products](#). Take personal care products, for example. You could develop your own formula for shampoos, soaps, lotions, etc., find a manufacturer that will make and package the products for you, then sell them on your ecommerce platform. Or if you're creative and crafty, you can make and brand your own products to sell on a site like Etsy.

If you go this route and work with a factory to produce your item(s), just make sure you have solid contracts in place that specify your ownership. This will eliminate any chances of them — or another seller — ripping off your brand.

Speaking of contracts, make sure you and your supplier agree on all terms before any money is exchanged. [Jungle Scout](#) has a great Purchase Order Agreement [template](#) you can download for free.

Purchase Order Contract

[YOUR COMPANY NAME HERE], known as "First Party", agrees to enter into this Purchasing Contract with [FACTORY NAME HERE] known as "Second Party".

This agreement is based on the following provisions:

Production

The Second Party agrees to produce the following goods:

[Insert all information about the product specification here leaving no details out, including all of the product materials and features you have discussed previously for your quote. Also, include any specific packaging or labeling requirements for the product.]

- [Order quantity / Number of Items]
- [Packaging Details]
- [Insert Product Details]

SEE APPENDIX 1 FOR IMAGES

Total Cost

The Second Party agrees to the costs of:

- [VARIANT 1: NUMBER OF UNITS AND TOTAL COST]
- [VARIANT 2: NUMBER OF UNITS AND TOTAL COST]

PROS & CONS

Pros:

- Less competition

Cons:

- A lot more investment, both in terms of time and money

Pro Tip

Heed this helpful advice from our friends at [Jungle Scout](#): "Don't pay your manufacturer until you've seen photos of your product assembled and ready to ship." (This is also important if you're a wholesale or private label seller — not just if you manufacture yourself. Quality control is of utter importance to the success of your business.)

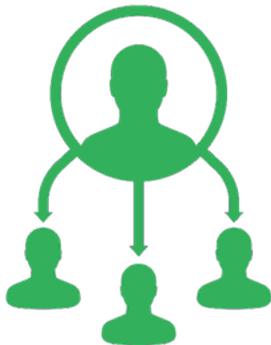
10. Virtual Assistants/Outsourcing

WHAT IS IT?

Outsourcing your inventory acquisition to an employee or virtual assistant

If you don't want to do any of the work, you could hire an employee or virtual assistant to source products for you. Your ability to do this depends, of course, on your business' size.

"Many growing businesses [consider outsourcing at some point]," says Connor Gilivan, CMO and cofounder of Freeup.com. "It requires letting go of control and becoming an organizer and a manager of people. It costs money but it saves time. If you speak to any successful business owner though, most would say that it's an important step to take, to ensure continued growth and to ensure that you can work smarter, not harder."



PROS & CONS

Pros:

- You don't have to do any work

Cons:

- Gives you an added expense

Pro Tip

Did you know you can outsource more than just inventory sourcing?

Services like Freeup.com and [Jungle Scout Market](#) will connect you to freelancers who can help you with everything from business consulting to marketing to copy writing to listing management and more.



10 Ways to Source Inventory for Your Ecommerce Business

Conclusion

So what do all these sourcing methods have in common?

They require some form of an investment, which means you need to be prepared with the right amount of cash. Easier said than done when your income is tied up for weeks or longer. Thankfully, Payability can help fix these cash flow issues so you can invest in inventory when you need it. Learn how you can get a large lump sum of (your own) cash, get daily payments as you earn them, and more at [Payability.com](https://payability.com).

Sources

- <https://bootstrappingecommerce.com/retail-arbitrage/>
- <https://thesellingfamily.com/top-tools-online-sourcing/>
- <https://www.repricerexpress.com/amazon-seller-strategies-pros-and-cons/>
- <https://www.oberlo.com/blog/amazon-dropshipping-guide>
- <https://sellercentral.amazon.com/gp/help/external/201808410>
- <https://www.repricerexpress.com/drop-shipping-on-amazon/>
- <https://ecommerce-platforms.com/ecommerce-selling-advice/killer-places-to-find-products-to-dropship-and-sell-on-your-store>
- <https://mywifequitherjob.com/8-ecommerce-business-models-compared/>
- <https://selleratheart.com/buying-on-alibaba-and-selling-on-amazon/>
- <http://thewholesaleformula.com/work/wholesale-101-6-step-guide-make-5000-selling-amazon/>
- <http://thewholesaleformula.com/work/private-label-sellers-can-use-wholesale-double-business/>
- <https://www.repricerexpress.com/amazon-seller-strategies-pros-and-cons/>
- <https://ecommerce-platforms.com/articles/wholesale-suppliers>
- <https://www.primeresale.com/the-difference-between-ra-and-thrifting-and-why-ra-is-exponentially-more-profitable/>
- <https://www.webretailer.com/lean-commerce/amazon-to-ebay-arbitrage/>
- <https://www.webretailer.com/lean-commerce/find-products-sell-amazon/>
- <https://www.fbamaster.com/10-best-wholesale-drop-shipping-companies-reviewed/>
- <https://www.nchannel.com/blog/ecommerce-inventory-management/>
- <https://www.junglescout.com/blog/evaluating-suppliers-and-samples/>
- <https://www.sourcify.com/how-to-find-a-private-label-manufacturer-for-your-products/>
- <https://www.ecomdash.com/product-sourcing-tips/>
- <https://feedvisor.com/resources/amazon-trends/4-tips-for-sourcing-the-right-products-to-sell-on-amazon/>
- <https://onlinesellingexperiment.com/online-arbitrage/>
- <https://www.npr.org/2019/01/21/687255642/thrift-stores-say-theyre-swamped-with-donations-after-tidying-up-with-marie-kond>
- <https://www.cnn.com/2019/01/12/entertainment/marie-kondo-konmari-tidying-up-netflix-trnd/index.html>
- <https://www.junglescout.com/blog/effective-manufacturing-milestones/>
- Stock photography on pages 1, 6, 7, 9, 10 & 14 sourced from Dreamstime.com
- <https://www.junglescout.com/the-chrome-extension/>
- <https://www.junglescout.com/blog/category/product-research/>
- <https://www.junglescout.com/blog/find-a-manufacturer-in-china/>
- <https://www.junglescout.com/blog/importing-from-china/>

Source Inventory with Payability

Get the cash you need today to invest in more inventory tomorrow



payability.com



sales@payability.com



(646) 494-8675



524 Broadway
New York, NY 10013

