

# Cut Your Ebusiness Startup Costs By Using Dropshipping

By Tim Knox

## Cut Your Ebusiness Startup Costs By Using Dropshipping

Tim Knox  
tim@onlineprofits4u.com

OnlineProfits4U.com <http://www.onlineprofits4u.com>

=====

## Cut Your Ebusiness Startup Costs By Using Dropshipping

Online Entrepreneur Q&A  
by Tim Knox  
Founder, OnlineProfits4U.com  
<http://www.onlineprofits4u.com>

=====

Q: I'm starting an online specialty shop that sells gifts and home accessories. I want to be able to have items dropshipped to customers through my site. I already have a Web site and a domain reserved, but I don't have a lot of money to get this going. Can you offer any insight?

A: Setting up relationships with companies who will ship merchandise directly to your customers for you -- dropshippers, as they're called -- is an excellent way to start your e-business and, if done properly, doesn't have to be a costly endeavor. There are literally hundreds of companies out there that will dropship products for you, everything from gifts and housewares to power tools and furniture.

In a nutshell, here's how dropshipping works. You set up an account with a dropshipper (or multiple dropshippers who offer different kinds of products) who provides merchandise that you can sell on your Web site. The dropshipper typically supplies you with images and product descriptions that you can use to build your online store or feature on static HTML Web pages.

When a customer places an order for the product on your site, he or she pays you for the product. You, in turn, place the order with the dropshipper and pay them for the product. The dropshipper then ships the item directly to your customer under your company name. To your customer's knowledge, the product was shipped by you.

Dropshipping offers many advantages to the shoestring online start-up. You don't have to pay for an item until it sells, and your customer pays you, so your personal cash outlay for the product is zero. You never have to handle or warehouse the merchandise, as order fulfillment is handled by the dropshipper. You can also offer a wide variety of items from multiple dropshippers, and your end customer is none the wiser.

Dropshipping does have its downsides. Since you do not actually stock the products featured on your site, you have no control over inventory management, product availability, order fulfillment, shipping processes and so on. Still, if you do your homework and establish a good relationship with a reputable dropshipper, the problems you experience should be few.

Your goal should be to find a dropshipper that will ship items one at a time instead of requiring that you purchase a fixed minimum number of items each time (single-unit purchases vs. minimum-order purchases). With this arrangement, you don't have to invest your limited cash reserves in inventory that might not sell (and that sits in your garage for months).

Thanks to the stiff competition the Web has created, many dropshippers will now do business with you without requiring that you pay a setup fee or have a tax ID number. You simply set up a reseller account (you're the reseller) and start marketing the products on your site. Account registration can often be done online at the dropshipper's Web site. With this process, you can literally be selling products within minutes of setting up your reseller account.

Be warned, however, that some dropshippers are not as reliable as others. Also, be aware that some companies who claim to be dropshippers are really middlemen who have positioned themselves between the online merchant (that's you) and the real wholesale merchandise distributor. These middlemen will eat into your profits and usually don't offer much in the way of customer support and service. They can actually hurt your business more than help it, so make it a point to do business only with--and directly with--established, reputable dropship companies.

Spend the time to research the dropshippers doing business in your particular product category, and try to get feedback from their current customers. Remember that your customer doesn't know (or care) that the product they are purchasing from you really comes from a dropshipper. If there is a problem, your customer will come back to you for resolution, not the dropshipper, so make sure that the dropshipper you use has a policy for resolving problems quickly.

Setting up an online store that offers merchandise from dropshippers doesn't have to be expensive or time-consuming. However, this brings up the age-old question: If I build it, will they come? The age-old answer is: Only if you let them know you are there.

Here's to your success!

Tim Knox

=====

Online Entrepreneur Q&A is written by veteran entrepreneur and OnlineProfits4U.com founder, Tim Knox. Tim serves as the president and CEO of three successful technology companies: B2Secure Inc., a Web-based hiring management software company; Digital Graphiti Inc., a software development company; and Sidebar Systems, a company that creates-cutting edge convergence software for broadcast media outlets.

Tim is also the Ebusiness Startup and Design Expert for Entrepreneur.com, the website of the national publication Entrepreneur Magazine. As if that wasn't enough to keep him busy, Tim also writes the weekly newspaper column "Small Business Q&A" which focuses on small business startup and success.

<http://www.onlineprofits4u.com>  
<http://www.digitalgraphiti.com>

<http://www.b2secure.com>

<http://www.sidebarsystems.com>

-----

[Get-Articles.com : 1000's of reprintable business and internet marketing-related articles.](#)

[Submit your article for reprint.](#)