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How Retailers Can Take Advantage Of Drop Shipping

Sales for online retail businesses are booming, and more consumers than ever are looking towards the Internet to search for and buy products online. One of the techniques that many online retail businesses use is drop shipping, a system of buying and shipping products which is typically negotiated by you--the online retailer--and manufacturers or wholesalers. In fact, an increasing number of manufacturers and direct wholesalers are starting to provide drop shipping services to retail clients alongside traditional bulk wholesale product pricing. For everyone involved--the retailer, manufacturer or wholesaler, and the consumer--drop shipping has many advantages over the many other shipping options offered by online retailers.

What is Drop Shipping?

A drop shipping agreement between you and your supplier is an agreement that states that the supplier will ship the products sold by the online retailer. The way this process works is pretty simple. The online retailer sells a product, sends the order to the supplier, and the supplier ships the product to the consumer who purchased it. In addition, the retailer only pays for the products once they are sold to customers--not before.

Advantages of Drop Shipping

One of the best advantages that online retailers will mention when it comes to drop shipping services is that the actual physical products need not be stored at the retailer's expense. Rather, the drop shipped products must be stored at a warehouse or storage unit owned and operated by the supplier.

Because it is the supplier that is storing the products, the online retailers will not be obligated to select or pay for the physical location where the products must be stored. All they need to do is advertise the products and sell them. Nothing more! Also, the online retailers will not be required to waste an inordinate amount of time working with the post office or private shipping services. For small businesses that are seeking to save time and money, this can prove to be a huge cost saver.

Minimizes Risk

Another benefit of using drop shipping services is that the online retailer doesn't have to worry if product inventory doesn't sell. Traditional bulk wholesale retailing businesses buy the products first before selling them. In other words, they pay upfront. With a drop shipping service or business, however, you don't pay up front for the products sold to your customers. Instead, you pay for the products out of the retail purchase price paid by your customers. This means that you lose nothing if the products do not sell as well as you had hoped or your online retail store just doesn't take off for one reason or another. In addition, it also means that you're able to sell a lower quantity of the products you're offering since drop shipping service providers do not typically require a minimum "purchase" amount since orders are filled as they roll in.

Among the few downsides associated with employing drop shipping services for an online retail business is that not all wholesalers or manufacturers will offer these types of shipping services. This can make it a lot tougher to procure the exact products you might want in your online store. Additionally, certain drop shippers might charge additional minimal fees for their drop shipping service.

When you take into consideration all the many advantages for the online retailer, the downsides present with drop shipping services will be outgunned by all the savings that can be procured. The bottom line here is that drop shipping will minimize a business' risks, limit losses, and provide entrepreneurs with a more streamlined and effective way of getting things done.

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