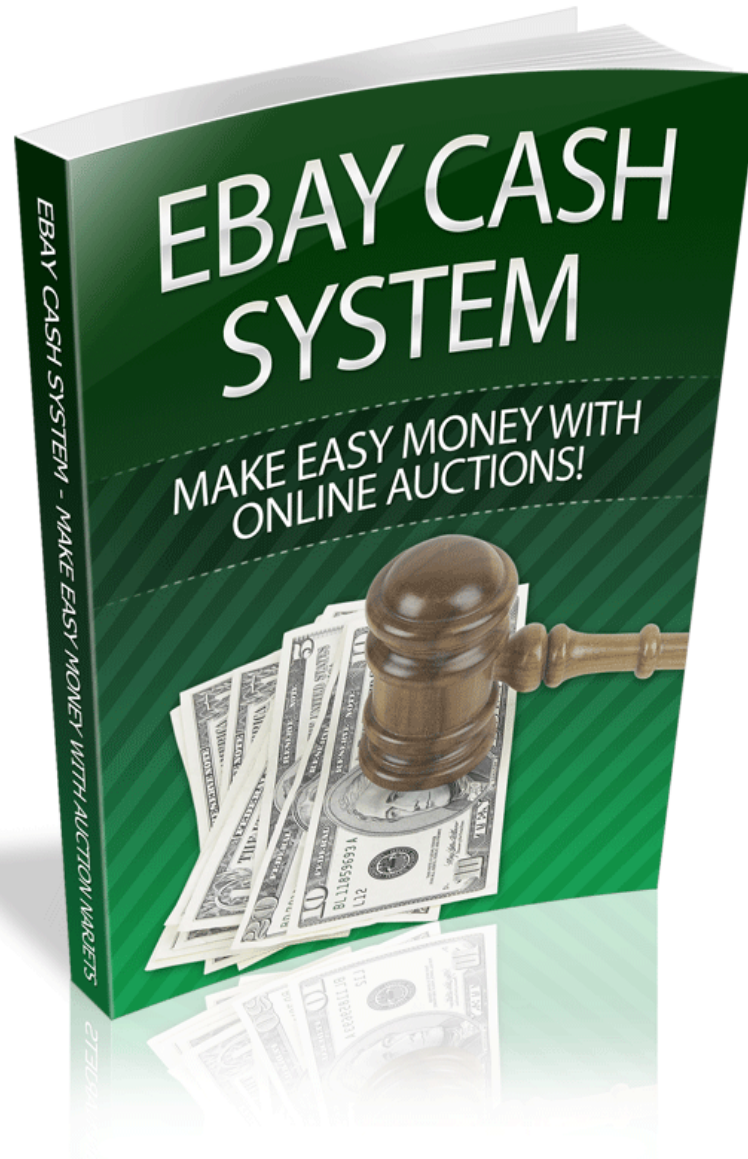


Ebay Cash System



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Getting Started

While millions of people dream of becoming their own boss and working from the relative comfort of their own homes, the specifics of how to actually go about doing so remain a bit unclear for most. This book hopes to clear much of that up with clear, concise advice on how to set up your very own drop-ship enterprise using eBay, the world's largest retailer.

The Internet has opened up opportunities for people of all ages, no matter where they live. Nowhere is this more apparent than on the world's leading auction site, eBay. Not only is one able to get rid of all the junk in their attic or basement, but you are now able to become a bona-fide retailer, with eBay virtual storefronts.

Moreover, there is nothing saying that you need to make the products yourself or even send them yourself. In fact, one of the fastest growing segments of eBay sales – one that is potentially very lucrative – is facilitating sales from manufacturers and wholesalers directly to customers through dropshipping.

While all business opportunities are fraught with dangers and pitfalls, dropshipping on eBay has the advantage of being one of the few ways you can start up a profitable business without putting a large sum of money up front. In fact, since there is a short period of time where you have a buyer's money before you actually the wholesaler or manufacturer you're dealing with the money for the goods, the only

money you're responsible for putting up front are the modest eBay fees. For as little as \$1, you can be on your way to re-selling items on eBay for profit.

Your No Money Up-front Commitment

In fact, for most people looking to start up with a lucrative home-based business, the no money up-front aspect of dropshipping is the most appealing aspect. In a traditional business, one can put up thousands of dollars before you ever see Dime One. Since your shop is a virtual one and there is no need to spend money on the physical plant, warehousing and other elements of a traditional business.

It may come as no surprise to you that it's easy to forget your commitment to not spending money to do things the "easy" way. But, the real beauty of this process is that it isn't really any harder to set up shop and begin selling without spending any money at all – you just need to know the tricks and that's what this book aims to do.

For starters, you need to go into this with a plan. Sure, plenty of folks are able to stumble their way into modest eBay profits, but the eBay marketplace is a lot more crowded than it was even a few years ago.

No matter the market segment you choose to focus upon, you'll be forced to specialize in order to really stand out in an increasingly crowded virtual room.

Of course, that's the beauty of starting up such a business, even if it is done in your spare time as a second source of income. For many, this is a good way to jump into doing something with a hobby or avocation that they really love. Indeed, this is a good way to really find out how lucrative your hobby is might be to give it a test run with eBay dropshipping.

Why eBay?

When eBay was introduced in 1995 (under the short-lived name AuctionWeb) as yet another San Jose, California, startup, no one had any idea that it would go on to transform the way that millions of people in at least 30 countries do business. Immediately, even the founder of the company was astonished at some of the bizarre things people were willing to purchase.

However, when the company went public in 1998, both the founder, Pierre Omidyar, and his first employee, Jeffrey Skoll, became instant billionaires.

In short, eBay is a business model based upon the notion that the ubiquitous nature of the Internet is uniquely suited to bringing buyers and sellers together, no matter how small the market for the goods may be. This is especially attractive to small business owners looking to fill a niche market. This way, you don't need to create, maintain and advertise a website of your own, saving a considerable investment of time and money.

While there are other online sites that allow sales, none have the worldwide appeal of eBay. It has become so commonplace for shoppers to check eBay for a deal that, like Google, the company name has become a verb, with many people looking to “eBay” an item they wish to buy or sell. Quite simply, you'll reach the most people (nearly 1 billion visitors per year), by far, when you conduct *your* business using eBay.

There are some eBay rules specific to dropshippers, listed under the larger label of “presale items.” While they consider the practice to be “limited,” if you follow their rules, you will have no problems selling a significant number of items this way each month. The usual threats to your status on eBay apply if you should fail to follow these basic rules.

In short, they are:

The item must be delivered within 30 days of the end of the auction

You must clearly indicate in the item description that the item is being dropshipped to the customer

Though not strictly required, items that have a longer ship time should be listed with a projected ship date in the auction text.

Setting Up Shop

Even before you find a company to do business with, you'll want to put yourself in a position to begin doing business yourself. With yourself as the only employee, there is precious little that you are officially compelled to do in order to begin selling on eBay.

Now That You've Decided To Jump Right In

Given that over 40 million people worldwide have done so, it should come as no surprise that it's not too hard to set up your new eBay account and get started. Of course, you will need a computer with constant reliable access to broad-band internet connectivity.

Today, a great many people use a WiFi connection on their laptops. Whatever you feel comfortable typing on for several hours per day, will do.

Creating Business Specific Accounts

Even if you already have a personal eBay account, you should plan on starting from scratch and creating a totally separate business entity, both on eBay and with funds management. This allows you to better keep track of your business finances and sales by running separate reports at the end of each month.

Separate email

Since you'll be using email as your primary means of communicating with your clients, it makes good sense to have a separate email address for your eBay store. This will be used with all your correspondence with both customers and suppliers.

Once you have established a rapport with your suppliers, you may want to set up a separate email for such correspondence, too, but a single one will do fine for just starting up. Choose a business name and register an appropriate email address with one of the free web-based email services.

Though most professionals recommend you avoid using free online resources such as gMail and Yahoo for your address, since you're working with eBay and not on your own website, it is much more acceptable. Given your "no money down" paradigm, this option makes a lot of sense. Get this part out of the way early so you can have your chosen business email on all of your accounts.

Bank account

The best place to start putting your finances into a single business entity is at the bank. No, not for a loan, but to get ready to set up your online accounts. In fact, in order to set up your business account with PayPal (see below), you should set up a separate bank account so this money isn't mixed up with your personal assets. It will make bookkeeping much easier later on.

In most cases, this won't cost you anything, though most banks require you to start the account with at least \$10-20. While you may want to upgrade to a business account at a later date to take advantage of some flexibility that some institutions offer (such as lines of credit and report generation), a separate personal account will do just fine when you're starting out.

It is to your advantage to use the same bank where you have your usual personal account (checking or savings) with to start a business-specific account. It can be a regular checking account, as this will almost always allow you to make instantaneous (or nearly so) transfers between accounts.

There should be no charge to make such transfers. If there is, you might want to seriously consider changing banks for all your accounts.

This may or may not come with a separate checkbook and ATM card. If your bank does offer an ATM card with your new account, it is very likely that it will be guaranteed by a credit agency such as Visa or Master Card.

If this is the case, such a card is ideally suited to be used as the credit card you start up your PayPal account with.

PayPal account

Next, you need to make sure you're ready to accept money from buyers. If you're doing business on eBay, this means that you will have to set up a business account with PayPal.

Thankfully, this requirement happens to be the most trouble-free way to do business online, since it also allows you to accept all the major credit cards without setting up a separate merchant account with each credit card company.

This process usually takes about a week to complete from one end to the other, while your new bank account is verified. Of course, if you already have a personal PayPal account, you can make the necessary changes in a single day, allowing you to begin selling on the very same day. With a business account, however, you'll have more options open to you as an eBay seller, such as opening a store.

If you're starting from scratch, however, you'll be giving PayPal some personal information such as that bank account number and a credit card number to guarantee your account.

This latter process is done by a small electronic purchase made by PayPal that you then verify from your bank statement. As soon as you do, the money is refunded into your PayPal account.

Be forewarned: transfers of money from PayPal to your bank account can take 3-4 days, even with a PayPal business account. If you need the money to arrive faster, you'll pay a fee, but the money will be available to you almost instantly.

EBay Seller And Store Accounts

Now you're ready to set up your eBay Seller's Account. This is a very simple thing to do once you're got a PayPal account set up. As long as that account is in "good standing." Well, that's just about every account that has been verified and is backed up by a bank account and credit card.

For most dropshippers, this involves going one step further and setting up an eBay Store. While this will cost you at least \$16 per month (and there is no charge for the first month), these charges pay for themselves in very short order if you're listing even a few items per day.

There are many other benefits to becoming a basic eBay store seller, such as the ability to have up to five different pages that are fully customizable to act as your storefront.

You may also choose to list your items in many different categories that you'll customize on your site. You'll be able to customize your URL or web address so it's easy for your customers to remember. You'll be able to add "Promotional Boxes" to highlight various items in your store from your storefront home page.

Perhaps most importantly from an advertising point of view, you can create a store logo and display it prominently with each and every auction. With an unlimited number of product pages, you could list

“thousands” of different products, though to do so right away would be getting way ahead of yourself. Regardless, you have the option for the future and nothing to hold you back.

Creating a Store Site That Works

While it may be a very simple thing to getting an eBay store up and running by utilizing free templates and other shortcuts, you will undoubtedly need to do some tweaking to get everything looking right according to our customers' expectations.

Creating A Smooth Look That Projects Your Professional Image

In a brief look around eBay you've certainly seen garish sites that look shady, even if what they're selling is perfectly legitimate.

While this may be okay for low-value items, if you're in the business of selling large-ticket goods to a purportedly refined and genteel demographic, you'll certainly want to tone down the use of flashing, flaming, neon-green exclamation points.

Once people have made it to your auction, they want to know exactly what you have to offer, what it costs, what it looks like and how much they'll pay for shipping. Making this information as easy to find as possible increases the likelihood that potential customers will bid on

that auction as well as wanting to look at your other well-designed auctions or your eBay store.

You also want to be very clear in your product descriptions. This may include using HTML formatting as well as simply using clear and concise language to let your products sell themselves.

Templates And Refinements

The most common way to get started with selling is to use a template. There are countless free templates as well as those that cost money. Don't waste your money: there is no reason to pay someone else to make the simple refinements that you can figure out on your own with about half an hour of concentration and a bit of fiddling around.

If you want a bit more information on what the basic elements of HTML code are, you can very quickly learn how to manipulate tags and code from an online HTML Primer.

Targeting Your Market Audience

Since you've done your homework into the best products to sell, you probably have a good idea of who your most likely buyers are.

This is the target audience that you'll be focusing your marketing efforts upon. And since you'll be spending more time and effort on retaining customers that have come to your eBay store for the first time, you have a better chance of influencing their buying habits.

Extras And Features That Drive Traffic Into Your Site And Keep It There

Not only is it sufficient to drive traffic into your eBay store with successful auctions that attract new customers, but you'll also want to give them incentive to look around for other items they may purchase from you.

This has become very lucrative with the ever-increasing cost of shipping, as your customers can combine orders together or even buy a combination package that has everything your customers need.

Site Searching

When you elect to use even a basic eBay store, you'll have the option of including an option that allows your customers to search for keywords that pertain to the items currently for sale in your store. This function works best when you are very careful about choosing the best keywords for your title.

Short Auctions

Though many people suggest that auctions are best approached a week at a time, since you'll be dropshipping items that are in demand and re-listing them when they don't sell, it's to your advantage to put them on short auctions.

This has several advantages. First, it allows you to avoid spending the extra money to list items with the "Buy Now" option, since people are very often willing to wait a day or two to see if they can get the item

for “cheap.” Moreover, this will ensure your items are always listed at the top of searches that are sorted by remaining time, as is the default.

You certainly will want to keep some items on long auctions to mix things up a bit. With an eBay store, you're allowed to keep items up for as long as 4 months. This works to your advantage by allowing that information to be searched and indexed.

Positioning Yourself With Positive Feedback

One of the innovative aspects of the eBay system is that it allows users to rate their experiences with sellers, making it known to buyers who are really serious about selling product with their service.

Therefore, it's vitally important that you establish and maintain good feedback that communicates your ability to send quality product, in good condition, on time.

Whether you're just establishing yourself in the eBay marketplace or fixing a problem when things go wrong, as they invariably do from time to time; you can still salvage the situation without spending any money.

Early Feedback

No one wants to be the first person to try out a new eBay seller. It's important to make sure you have at least some good feedback to start. This can be easily accomplished by first generating good feedback as a buyer. While not totally free, you can build up an impressive array of good feedback for less than \$20 by purchasing very inexpensive items.

This is best accomplished by searching for auctions that cost less than a dollar and require no shipping, as in the case of wholly digital items such as digital pictures or e Books. You can do this by searching in one of those product categories and setting the search parameters for items that cost between \$0 and \$1.

When you purchase such an item, preferably those with Buy Now options, with your PayPal account, you'll be able to get almost immediate feedback from the seller.

When using PayPal to conduct your buying, payments will be made immediately, resulting in faster turnaround from the sellers and a very good chance of getting good feedback. Be sure to reciprocate the favor and leave feedback for each seller. Also, since each seller can only leave feedback for you once for a given transaction, you should seek out a different seller for each item you purchase.

Be careful to do so over the course of several days, rather than all at once. As a member with a new account, it will look suspicious if you make such purchases too quickly.

Trying to manipulate the system like that could result in severe account restrictions or even suspension from eBay moderators. When you buy just two or three items per day, you'll easily pass under their automated radar, especially if you do so at different times each day.

Maintaining Quality Feedback

Just like any relationship, communication is the key that will help you smooth over any of those unavoidable rough edges, especially as you're just starting up. Over time, you'll get a feel for what dropshipping vendors are the most reliable for you and your customers and which ones are more trouble than they're worth.

But, no matter what, customers want to know that you're paying attention to them. If all you need to do is send an email to avoid negative feedback, you're taking advantage of an essentially free method to keep your quality feedback for both buying and selling in good standing. There is nothing to substitute for your personal touch when dealing with customers, and the faster you do it, the better.

In fact, you should make it a point to respond to all queries within a matter of a few hours, no matter when they arrive. Of course, you'll need to sleep, but a 12 hour delay can mean the difference between a

disgruntled and a happy customer who will give you the high percentage of feedback (hopefully 100%, especially when you're first starting out) that you need to consistently come up at the top of searches.

The importance of communication cannot be stressed enough, as it is the cornerstone of you being able to effectively manage dropshipping issues that can sometimes seem as if they are out of your control.

This way, you maintain a certain amount of control over your own online destiny, even if fate or the supply chain throws a monkey wrench in your best laid plans.

Finding Products To Sell

Now that you're all set up to sell, you need to find the product to sell. This generally takes place in 3 basic steps:

Research the market segment you're interested in

Find manufacturers or wholesalers that can reliably dropship product for you

Select a few suitable products to sell that conform to your selected niche market

Of course, there's a great deal to each of these steps, but it is very important that you take them in order, being very careful not to skimp on the first two. There are no fast and easy steps to researching and planning your business. By doing careful planning and research at every step, you can avoid the most common pitfalls of dropship selling.

Drop Shipping Basics

The basic premise of drop shipping is that you (and many others like you) are acting as a distributed sales force for manufacturers and wholesalers who either cannot or don't wish act as retailers. You will become virtual distributors for them, while they handle the physical

order fulfillment and shipping, only. As such, dropshipping is lucrative for everyone involved.

Though there are countless items available for dropshipping, it's easy to get carried away with the possibilities. It's best to focus on just a few very carefully chosen items to get started.

Not only does this keep you from getting confused with all the items you have for sale or being overwhelmed with auction fees before you actually sell anything, but you'll also be able to evaluate the feasibility of each item on a small scale before you become dedicated as a well-known seller of Norwegian Cuckoo clocks, or some such.

The same is true of choosing a dropshipping partner to work with. Don't just pick the first one that comes along and meets all your criteria as far as their merchandise is concerned.

Shop around and find a few that will give you the best possible deal. Then, evaluate their performance before making any type of long-term commitment. It is, after all, likely that legitimate dropshipping partners will be evaluating your performance, too.

When doing business with manufacturers, it is very likely that they'll ask you some perfectly legitimate questions about your business, such as your Tax ID number.

In the US, this means you'll be doing business as a Sole Proprietorship (until you register with your state as something else). As such, your

Tax ID number is your Social Security number. Though this means you'll be personally liable in the event of trouble (unless you incorporate with the help of at least one and usually two other people), it also means that you can get right into business without filing any forms with government officials.

Finding Good Manufacturers And Wholesalers To Do Business With

Perhaps the hardest part of getting started with dropshipping is finding good companies to do business with. There is certainly no shortage of fly-by-night companies and scam artists who have sprung up in recent years, trying to take advantage of the many thousands of people who also hope to supplement their income without spending a bunch of money up front. This lure is so very strong that you need to be very careful when selecting dropshipping partners to work with.

There are a few that have been "approved" by eBay, but you'll quickly find that their entire product catalog is already well-represented on eBay by a large number of other dropshippers.

No, it's in your best interest to do your homework and find drop shippers to work with on your own. Otherwise, you're sure to be operating on razor-thin margins that are just as likely to lose money in the long run.

Not all dropshippers are alike, even when selling the same items. When you do find companies that are willing to do dropship work with you, find out how long they've been in business and how long they've been doing dropshipping for clients.

You may be the first test case of a company that's been in business for a long time. While there are great potential rewards for those who go into partnership with start up companies, you need to know the risks – it could be a very bumpy ride with a very new business

Ask very pointed questions and evaluate the timeliness and professionalism of the responses you get.

Companies that are able to respond to your questions in a quick, forthright manner are the same ones that will be able to jump right on an issue when a problem or dispute arises. They should also be able to tell you, in no uncertain terms, exactly what products they sell, if not all of them, are available for dropshipping.

Where To Look

Since most people begin their searches looking up wholesalers and manufacturers online, it may come as no surprise that this is actually *not* the best way to find companies to begin a dropshipping relationship with.

In fact, very few companies that do wholesaling or manufacturing maintain websites, since that sort of thing is more suited to retailers.

Many of these companies prefer to conduct business by phone or mail, with some not wanting to sign a deal unless they meet you in person.

You'll want to choose a company that lies somewhere in the middle of that spectrum, since you're looking to start your business up for as close to nothing as possible. Expect to get some leads of the Internet, but be resigned to do much of your following up on the phone.

One useful place to generate some leads on where to find dropshippers in the list of companies that eBay maintains on approved, legitimate resellers. You may, find the returns on items from these companies to be somewhat lower, due to the increased competition from other eBay dropshippers. You'll do far better to blaze your own trail.

While some websites offer lists for sale that purport to be full of hundreds or thousands of dropshipping companies, most such lists are, if not downright fraudulent, of poor quality. They usually contain inaccurate or out of date information that won't help you at all or will send you calling around on your own dime, only to be rejected, time and time again.

Like finding contacts in mid-level marketing, if someone is offering you a list to make things "easy" for you, it is almost without fail far less useful than they claim it to be.

If you have an idea of what sort of product you want to list, you can look directly for manufacturers of such an item by checking out the Yellow Pages or finding a listing on the Thomas Guides. From these

listings you can get a number to call where you can simply ask if there's a local distributor for the product in question.

Though somewhat disingenuous, call back later without identifying yourself and the earlier caller and ask if they do (or would consider doing) dropshipping.

This question will undoubtedly lead to several dead-ends, but the fruitful calls are golden, since they often don't show up on any existing "lists" that people sell you the chance to look at. This type of "lead-generation" is invaluable. You'll certainly get the hang of it after the first few calls.

Once you get a list of companies that will dropship, take a look around on eBay and check to see if any of them are already selling there. It will be all but impossible to compete with them if they are. You may wind up crossing several suppliers off your list, but this will save you a great deal of time and effort, as well as money in dubious fees.

Next you'll want to see how each of the dropshippers you've generated a lead on compare as far as pricing is concerned. It's best to do this for a very similar or identical item, if possible. You'll be surprised at how much the price can differ from one to another.

Be careful to consider any hidden shipping costs or initiation fees that may apply from one manufacturer to another. If there is a large fee to join a company's lineup of dropshippers, you might as well look

elsewhere – there are plenty of manufacturers and wholesalers who won't charge – you just have to keep looking.

Some dropshippers maintain that companies that charge an initiation or subscription fee have a larger selection of goods to choose from, decreasing the amount of time you'll have to spend looking for such companies – it's up to you, but to really get the most for your dropshipping dollar, legwork on your part is money you don't have to part with.

Avoiding Scams

Since dropshipping has become something of a buzzword around eBay in recent years, it should come as no surprise that this has attracted scammers. Thankfully, those who would prey on budding dropshippers don't bother being very subtle about their scams. Let's face it: they think you're stupid and conduct themselves as such.

In short, you should never, ever, have to pay money up front for getting product listings or the names of dropshipping-friendly companies that you can do business with. Just because they don't typically advertise online or make it a point to become well-known among consumers doesn't mean that legitimate manufacturers and wholesalers want to chase your business away. Remember, the whole point of this is to not put a bunch of money up front.

One giveaway of a scammer is web-copy or sales letters that promise particularly fast or high rates of return. These “get-rich-quick” schemes are just that – schemes.

There are a few legitimate companies that do specialize in aggregating lists and directories of companies that are willing to do dropshipping to your customers. Such organizations are more interested in your relative success than promising you “thousands” of products to stock your store with or “fast, easy money you can make in your pajamas.”

If you feel you're being fed a line of bull about quick riches, you can be reasonably certain there's a scam involved.

Some very common items that are sold as scams include, but are certainly not limited to:

- ✓ rare coins
- ✓ precious metals and jewelry
- ✓ mobile phones or computers
- ✓ brand name clothing or shoes

Thankfully, most scams are fairly easy to spot, once you know the warning signs to look for.

Foreign Or Domestic?

While there are certainly some fantastic deals to be had by buying products abroad (especially in Asia) and having them shipped directly to the United States, there are also enough headaches involved in this sort of enterprise that, most successful eBay dropshippers suggest you avoid using foreign suppliers entirely.

A nice compromise is to look for special deals with foreign partners, but to limit the bulk of your goods to domestic wholesalers. This way you'll be able to not only take advantage of some truly fantastic deals with what is typically less expensive merchandise, but you'll also be able keep up with other companies through contacts and trade publications when your domestic companies are no longer able to provide you with some of your best selling options.

Types Of Sources

There are two basic types of sources for dropship goods:

- ✓ Manufacturers
- ✓ Closeout sellers and liquidators

The former is the most reliable, able to supply the same goods year after year at wholesale prices, though not as low as bulk pricing unless you change your business model or sign a special contract. This is especially important if you find yourself with a good, reliable selling item that you'd like to continue carrying.

Even if the margins available on first run goods may not be as high with some other types of items that are available to be at closeout prices, you are going to be able to spend more time focusing on your customers and less time worrying about where your next supplier will come from.

The latter may be able to get you the best deals, but are not renewable. Such resellers are often wholesalers or so-called "middlemen" who won't be giving you a very good deal at all.

The quality of the items offered may not be up to par, and the odds that you'll be able to send back defective or otherwise unsuitable goods is very low. The risk is very often not worth the financial pay off, though you should always keep an eye out for such opportunities.

It is very likely that after awhile, you'll find yourself using several different dropshippers of either type to provide goods around a common theme. As such, customers who purchase more than one item from you could wind up getting their items sent at different times from several different places.

The best thing to do is to make a simple note in the terms and conditions of your auction template that items may ship at different times.

Type of Goods Available for Drop Shipping

Just as there are an infinite variety of items that are available from private sellers on eBay, there are nearly as many items that can just as infinite

Niche markets are the best way to compete in this very crowded marketplace. A good way to define a niche is a product that isn't commonly available at your local chain store, including such large online retailers such as Amazon.com or C-Net. Niches that you have a great deal of existing knowledge about are often a good place to start.

If you don't already have a good idea of what might be a good niche, one way of getting ideas might be to look in your local yellow pages at categories that have a only a few listings in your local area. Especially lucrative are product sectors that are typically served by small, local outfits that often sell at a very high profit.

Just a few options might include:

Consumer electronics

Already saturated markets such as consumer electronics. This is not to say that there aren't suitable niches available to you within different consumer electronic categories, but they may be harder to come by than things that are used by millions of people such as DVD players or cell phones.

Even though there may be plenty of customers to choose from, you'll likely be competing against other wholesalers, meaning that your

prices will have to be very low to be competitive – so low that it'll be hard to make any sort of profit at all.

Hobbies

This category applies to many different items that range from craft-making supplies to photography equipment and just about everything else in between. You can supply the raw materials for projects, plans and patterns for making items, finished products or even e Book guides on how to make money from a given hobby.

If you do choose to focus on a hobby that isn't already very highly represented on eBay, you should endeavor to create a store that becomes a “one-stop-shop” for that hobby.

For instance, if you're going to supply the materials and equipment for distilling your own essential oils, fill that niche completely so your customers will find a good reason to visit your store and shop around.

Collectibles

You might be surprised at the things people will collect. Even broken things can be collectible if you are up-front about their condition. While there are some very well established collectible markets such as dolls, figurines and stuffed animals, to remain competitive as a dropshipper, you may be hard-pressed to find a collectibles niche that you know sufficiently well to make good choices about items are most likely to sell.

The markets for collectibles are very well represented on eBay and may, in fact, be the “go to” place for collectors, especially in the case of goods that are lightweight and easily shipped in comparison to their relative worth, as in the case of original artwork or commemorative patches for denim jackets.

Business supplies

This can be a very lucrative market for dropshippers, especially since many trades have very specific materials and tools. They also are very likely to have specific trade publications that are a very valuable source of information about wholesalers and manufacturers that may have worked through local distributors that charge an exorbitant to carry the manufacturer's unique product in North America.

By contacting manufacturers yourself and inquiring about dropship opportunities, you may be able to serve markets that single distributor may have neglected, even without undercutting their pricing.

Media

A lot of people are tempted to jump right in and start selling media such as books, movies and music on eBay. The problem with this is that so has everyone else. Like consumer electronics, this niche tends to be rather saturated unless you find a very specific niche within media, such as recordings of bird calls of the Pacific Northwest or safety training videos.

Determining the Quality of Dropshipped Goods

Since you'll be responsible for taking care of complaints and other aspects of customer service, you want to make sure the goods you're selling are of the highest possible quality before putting up a large number of auctions or making any sort of long-term commitments.

You may be able to get the company to send you a sample product or purchase one at a discount. It's then up to you to put the item through its paces by using it as intended for a few weeks.

Even if you don't get a deal on the product, you should order one at some point and test the quality of your system as well as the goods themselves.

Determining Shipping and Customer Service Quality

When you're getting ready to jump into selling a particular item as a dropshipper, it's a very good idea to test out the waters as part of your research. If you can get a trusted friend or relative to purchase one unit and have it dropshipped to them, you might get a better impression of just what sort of quality and service this partner can deliver.

Having it delivered to yourself isn't nearly as good a test for obvious reasons – if your partner is paying attention, they'll be on their best behavior to get you on board.

You may have to do this with several companies before you get one that you can really rely upon. This is a normal part of sorting out the dropshipping business model.

Managing Auctions

Now that you're ready to begin selling, it's best to get your feet wet before jumping right into an eBay-based, dropshipping business. The best way to do this is to start by practicing on "easy" items. These objects are identifiable as being in regular demand, rather small, likely to sell in a very short amount of time and easy to ship.

With your newly formed plan, it's time to begin by creating your first auction. You'll get so comfortable with this process in short order that you're sure to be amazed that there was ever a time that you were a novice – it will be second nature. But, until then, there are a few things you want to consider when putting your first auctions together or honing your skills for maximum effectiveness.

Creating Effective Auctions

Just as important as having the right product to sell is creating an auction that is not only informative, but also easy to navigate and accurately targets your niche demographic. You want your customers to feel confident about purchasing from you, no matter what.

While you will likely start out with the basic templates and auction offered by eBay when you're first starting out, you'll soon want to upgrade to a more customized template.

As you begin making money from your dropshipping venture, you might want to consider purchasing auction software. This can be a very good investment if you're putting up a large number of auctions. There are thousands of good software packages available online, and it will take a bit of testing to find out what works well for you.

The best bet is to try such programs for free before you purchase. Many come with a limited testing period that will allow you to take each one for a "test drive."

The Look And Feel Of A Good Auction

The basic elements of a successful auction vary surprisingly little from one commodity to another. You want to put together an auction that allows a visitor to quickly get an idea of the quality of the product you're selling, how much you're selling it for, when and how they can expect to receive it as well as, shipping and handling costs that will be incurred, no matter where they live. This should all be in the context of a site that is tasteful and functionality-oriented.

This doesn't mean you have to skimp on content – quite the opposite. You should cut out a lot of the editorializing. Your audience doesn't want to be "sold" to with a bunch of superlatives and interjections.

In fact, eBay frowns on auctions that include interjections such as "Wow!" and "Look here!!!!" Instead, the more information you can give in some clear and concise keywords that will help your customers

find exactly what they're looking for when doing an auction title search.

Be sure to use a font that's easy to read in colors that are easy to read, whether that means light on dark or dark on light. Avoid the most garish hues on your website unless you're selling something that uses such colors in its design, such as moto-cross accessories, for instance.

Text that is too small or too large for most people to read will surely result in people moving on rather than fiddling with their display settings to figure out what you're trying to say.

Out-Maneuvering Your Competition In Saturated Markets

While a few dropshippers will find themselves the lone purveyors of antique. Romanian-made kazoos on eBay, the odds are pretty good that even relatively obscure auction items will have some sort of competition. This is especially true of items that are regularly replaced, used by millions and have a high "cool" factor. Gadgets and items relating to mass media are a very good example.

Again, finding a niche in already crowded market segments is the key to standing out in online searches. While you'll never get any appeal by simply listing your product as a movie or as "Rock N Roll" won't help at all. You need an angle.

Sometimes even the niches are a bit saturated. In this case, you'll need to be a bit more creative when it comes to getting your products seen and clicked through. Aside from spending more money on flashier, bolder larger and otherwise more expensive auction listings, you can include some features or functionality to your auctions or store site that will attract the savvy buyer – not just “eyeballs.”

Value-Added Product

Bundled items are especially popular with buyers, especially when it comes to hobby equipment or a start up kit for just about anything. This may be as simple as including several related items from your store in a bundle package. When listed as a separate auction, this can be a great way to get twice the coverage for the limited number of items you're selling.

Especially as the price of shipping continues to mount for buyers and sellers alike, customers are looking to get as much into a single shipment price as possible. Kits and bundles are a great way to do that and add value to the entire package.

Another way to add value is to somehow pretty up the package or make something that is somewhat generic and make it “ready for prime time.” This could be as simple having your dropshipper assemble an item that normally comes unassembled before shipping. While this may result in both a higher price for you and your customer

both, not to mention a higher shipping price, many customers will happily pay to avoid the fuss.

Your imagination and the willingness of your dropshipper to cooperate with your ideas are the only limitation to how you can add value to products sold on the retail market.

Bonus Materials

Many retailers find a way to offer a free gift with purchase of their goods. We're all familiar with the, "But wait, there's more!" line from late night infomercials.

However, if you're selling a bare bones product and your nearest competition is selling one with all the extras and do-dads, even with a higher price, the fully-loaded one is much more likely to sell. This is especially true if you can list an impressive array of extra items in your description (usually in a bulleted list).

This type of marketing is especially useful when selling crafty items or raw materials for DIY projects. Such items can almost always be augmented with some of your particular information.

For instance, selling jigsaw supplies, you could have the dropshipper package those items along with plans for various projects that you've come up with. As long as your dropshipper is willing to work with you, each product you sell can come with a bare-bones and a fully-loaded

model. That is, after all, how the big boys do it, as a trip to the local retail stores will tell you in very short order.

Staying Current With Auctions

It's going to be hard to make anything like a living from your eBay dropshipping business if you're not willing to keep up-to-date with your auctions. This means that you'll be spending several hours per days checking on them and responding to client emails before you even get to the marketing and business building portion of your day.

Since you're working for yourself you can choose exactly how much time you want to devote to any home-based business, but you'll have to expect to spend a fair amount of time each day confirming winning bids and sending orders (and payments) off to your dropshipping partners.

If there are items that are back ordered, you'll need to be on top of that in very short order. This might mean pulling an auction and re-listing it with a longer auction time and no "Buy it Now" option.

Pulling Poorly Performing Auctions

If there's one thing that you'll need to do as a shrewd business person is to not crowd your storefront with items that just aren't selling. In fact, it's better to cut your losses on a poorly performing item than to come up empty-handed over and over again, for the sake of completeness in your product line.

Making Sure You Get Paid

It is bound to happen sometime – some bidder will invariably try to not pay for goods they've been the winning bidder on, take issue with the terms of sale or, even worse, draw you into a scam. Thankfully, there are ways to protect yourself in any event.

For starters, it's a good idea to have a very clear and concise listing of your terms of service on each and every auction. This will almost certainly be part of your auction template. It's usually helpful to take a look at several sites and see what sort of terms and conditions they advertise.

By taking several of these into account, you should be able to get a good idea of how others are protecting themselves and craft a document that does a good job of outlining the rights and responsibilities for both parties.

In the event of a bidder who doesn't pay up for goods they've won, you have a few options. While the most obvious may be to leave negative feedback, this is often the least effective option, since they can either change their account or worse, leave negative feedback on your account.

Perhaps more useful is the [dispute resolution service](http://netpreneurialism.com) offered by eBay that will investigate the auction. It doesn't cost anything except time

and bother to begin the process, which is managed by a third party (currently SquareTrade) mediator.

After registering with SquareTrade, you may either use an online forum to hash out your differences or pay a \$15 fee to take your case to a human mediator who will investigate the matter for you in an impartial manner.

Resolutions typically take a week to 10 days. If you are found blameless in the case, you'll have the cost of the auction refunded you in addition to any damages you've incurred.

Though it may be satisfying to get some type of monetary resolution, many eBay dropshippers who have lost winning bidders just leave the matter and move on, especially if they have many auctions they're monitoring at any given time. It's up to you, though certainly part of best management practices to try and resolve any such dispute in the most cost-effective manner possible, remembering that your time has a value, too.

In the case of actual fraud, the stakes are usually much higher, and dispute resolution can be of great use. If not just for yourself, for the next person who will be spared such treatment. One common type of fraud is to use a fraudulent escrow service.

This can be avoided by insisting that your buyers use eBay's recommended service from escrow.com or a trusted bank. Again, you can either word your terms of service in such a manner as to disallow

such other escrow services or to simply communicate your prohibition whenever asked.

Advertising

Perhaps the easiest thing to spend needless money on, marketing and advertising is where your business venture will really succeed or fail. While it may not be the fun part of your business, it is the most necessary, since most products and services languish only because no one knew about them.

There are plenty of books that tell you how to spend your money in the advertising portion of your budget.

This book, however, is focused on keeping that money in your pocket. As such, we'll focus on how to really make the most of your precious funds and get the most advertising bang for as little as humanly possible.

Remember, your time is money, too. Just as you'll try to avoid spending a bunch of money on marketing, you'll have to be creative and play to your strengths. If you're a good writer, try that.

If you're a good photographer, that is a great way to start, too.

If your strength is dealing with people one on one, you'll have to find a way to make that work for you, too. Since you're working on the computer, computer-based skills are the most immediately useful, though there is room for all types of skills in advertising for dropshipped items.

Search Engine Optimization and Auctions

If you have chosen to use an eBay store, your longer-term (30-120 days) auctions will be indexed by search engines, allowing people to find your products without even having to be on the eBay site to start with. This means that your descriptions, where you have a great deal more flexibility in describing things, are your playground to attract bidders into your eBay store.

As far as eBay rules are concerned, you are required to not attract anyone outside of the eBay system and may not try to circumvent any of the fees they charge for various features. As long as you're not disingenuous in how you list keywords, you can use plenty of them in your auction title, subtitle or text, including synonyms, mis-spellings and comparative language such as "suitable for carrying around a pink iPod."

Your ad title is what the most page views (and subsequent sales) are generated from. In fact, that's what eBay indexes to use in top-ranking search pages. As far as keywords go, remember that the more specific you can be, the more likely you are to separate yourself from the rest of the pack.

If a million articles are written about iPods, your little ad won't come up for thousands of pages. On the other hand, if your keyword references "pink iPod holster," it might have a chance of coming up for the relatively smaller number of people who enter those terms in.

You can check on Google and use their free keyword optimization tool to get a feel for what keywords are most commonly associated with a given main keyword. Those that rank lower come up in searches less often, but are more likely to feature your auction on the front page.

The likelihood of that increases as you link to your store and your auctions from blog pages, newspaper articles or anything you can leave a comment on.

Informative Articles

Another good marketing tool, one that has proven very successful for many sellers, is creating articles that allow them to share their knowledge on any number of topics pertaining to eBay selling or the products they offer. In fact, you can write an article about just about anything. What they all have in common is that they'll have links to your store site on them.

Such articles can be submitted to eBay information pages or help forums, or they may be posted on a blog, as a photo caption on a photo sharing site or with article sites such as eZine. These articles are a very important way for you to link back to your eBay store.

Every time your store is linked from somewhere else, it builds connections that search engines take into consideration when deciding how to rank your page with all the search terms you can possibly come up on.

For instance, if you write an article about cashmere care and put it up on another site, linking it to your storefront in the signature of your article, your home page is that much more likely to come up with a higher ranking than if you hadn't written that article. This is true, even with the exact same number of instances and variations of the word cashmere on your storefront page.

Sadly, you'll have to be careful about what you can and can't have in your ads. While the eBay system is set up to drive people into your store, make sure you check out the latest incarnation of these rules and regulations from the eBay auction information site.

Good Pictures

One of the best ways to really give people the idea you know what you're doing and to really communicate what exactly it is you're selling is to get a good photograph of the product up online. Since your very first listings will be done for as little money as possible, you might want to try and get the best possible single picture you can.

Since you're starting out with no money down, you will be reliant upon the pictures of good provided by the manufacturer or wholesaler (and used with permission) until you order the product for yourself or get a sample sent for you to take better pictures. This means that if your dropshipping partner has terrible pictures, you'll be stuck with those terrible pictures until you can find better ones.

Regardless, if that's all you have to work with, make sure you save a copy of the pictures from your dropshipping partner as soon as you decide to list the item. You never know when they'll decide to take the picture down. Save it somewhere on your hard drive (usually by right clicking on the picture and selecting the "Save As" option) with a name you'll be able to remember it by.

Again, unless you've taken the picture yourself, always ask the photographer for permission. Unless the picture is in the public domain (very unlikely for a product), even pictures that are listed as free use by [Creative Commons](#) require the user to adhere to specific guidelines such as non-commercial use without special permission and accreditation with links that may not fit into eBay rules and regulations.

So, the best thing is to take the pictures yourself. The first thing you'll need is proper lighting and a reasonably good digital camera. These are quite commonplace now. If you need to purchase or borrow such a camera, make sure it has a "macro" setting that will allow you to take crystal clear pictures of items from very close up.

Though it varies by manufacturer and model, you can assume that you won't be able to get a picture into focus unless you're at least 18 inches away from the subject unless you have the macro setting enabled. Also, when the macro setting is enabled, you won't be able to use the automatic or manual zoom, so you'll have to adjust how close you are to the subject by actually moving closer to the subject.

You want the lighting to be as even as possible without “blowing out” the detail. Usually this means turning the flash off on your camera. It is almost impossible to take a picture of an object and not have camera mounted flash be too garish and loosing detail. Remember, your goal here is to get as clear a picture as possible, no matter what.

That will almost invariably mean using external lighting. That could mean using good quality sunlight through a window with a reflective surface (such as the dull side of foil or even just a large sheet of white paperboard) on the other side to fill in the shadows.

More often however, you'll be using lamps to get an even effect. Whether that means using clip lights and incandescent bulbs or even asking your friends and family to hold lamps for you. While this may seem like a lot of bother for a picture that will be seen primarily in thumbnail size, that's exactly why you want the item to be well lit.

There should be nothing distracting in the background. This usually means a white or neutral background, depending upon the color of the object. Professionals that have been doing this for some time will build themselves “light boxes” that are white on the inside with bulbs built in all around for a perfect shot, every time.

This won't be necessary, as a dropshipper, unless you have difficulty getting good pictures out of your partners and will be photographing a large number of items.

Try, also, to get a picture of the item from all angles, including at least one close up or detailed shot. This should not only help to sell your product but also, decrease the number of emails with bidder questions you'll have to answer.

Inserting pictures into your eBay auction is as easy as selecting the "upload picture" option and saving it. If you can't remember which picture is which, use the "Thumbnails" option in your file browser to remind you. As soon as it's uploaded and the auction goes live, the uploaded picture will then be stored on the eBay server for the duration of your auction.

Be careful that you don't upload pictures that are far too large. Many recent cameras take very large pictures that can and should be resized to a more reasonable size, 800x600, for example. Most picture viewing software gives you this option, and it may even be automatic, as in the case of PhotoShop batch processing maneuvers.

Leaving Your Calling Card Everywhere

This is true in the literal and the virtual sense. Consider that every single time you send an email to anyone or leave your signature file on any online source, it is a chance to leave a link to your eBay store. This is a very simple way to get your store address out there where it can be picked up by search engines.

There's no need to be shy about it – you're in business to be noticed. Go ahead and change the text of your signature on a regular basis to

attract a large variety of search terms. This can be easily accomplished whether you use a local mail client, such as Microsoft Outlook or Mozilla Thunderbird or, if you're using a web-based email program like gMail, Yahoo or MSN. The settings for this are almost always found in your preferences settings.

Another especially good way to stay on your clients' collective radar is to send off a newsletter yearly, bi-annually or even as often as every week, outlining what's on special that week. This is a great way to simply remind those who you know to be part of your market demographic and clearly friendly to your business model, apprised if your current events.

If you do decide to send out such a newsletter to each person who makes a purchase with you, be sure you're not just sending spam. It should be very clear how to unsubscribe, and you are morally bound to respect the wishes of anyone who wants to get off your list.

Link Trading and Networking

For those who are at ease with networking, you can find a large variety of people who are interested in your store's area of focus. Online forums and dedicated web pages are a good place to start. While you don't necessarily want to spend money on actual ad space, there are still options open to you. For instance, if you keep a blog outside of eBay where you talk about the items you have for sale in your store, news about topics that relate to the items you sell or even

just opinion blogging, you can keep a "blog roll" where you can trade links with other bloggers and websites.

It costs nothing to send an email and ask people if they're interested in trading such links. Every single time someone links to your blog, it's a further reinforcement of the links directly to your store that you keep on your site. You could even submit sample articles to blogging sites that list your store as a potential site to get the requisite items that are referenced or discussed in said article.

You can also print up cards and spread them around town. This is especially useful if you find yourself going to a trade show or fair where other people in your line of business gather.

Be sure your card looks sleek and professional, with your store's website address clearly indicated along with what it is that you deal in.

While the rate of people actually going back through their business cards and looking up websites may be somewhat low, you never know when one of those real-world contacts will turn out to be an important ally or potential dropshipping partner.

Shipping

Since you've chosen dropshipping as your business model, you will have very few, if any, shipping concerns. However, you'll need to know what's involved just in case you need to step in.

You should also understand it well so you can shrewdly evaluate what sort of shipping and handling costs are fair for you to charge and for your dropshipping partners to charge you.

Shipping is the component of selling on eBay and online retailing in general that people are the most likely to be a bit foggy about. By the same token, the advent of eBay has turned millions of people into experts on a topic they may have never thought they'd know anything about.

Perhaps the most important reason to understand the shipping process is to be able to intelligently answer questions and concerns that your customers might have about their goods. If you can give a customer a tracking number for them to watch their package navigate the

Moreover, it is very likely that your return address will be on the package. If anything goes wrong and your customer needs to make a return, that box will be coming back to you. You'll need to know what to do with it when it arrives on your doorstep. The difference between having the damage to a package covered by the shipping insurance and having to eat the damages because it wasn't packed well enough

in the first place can be very significant, especially in the case of high value items.

Letting Someone Else Ship

The beauty of drop-shipping is that you avoid the hassle of managing the physical aspects of shipping by allowing someone who is already set up to do it for you – namely, the manufacturer.

This also means you're at the mercy of their shipping department, who you trust to do a good job and live up to the same sort of standards you would expect – or, more importantly, the sort of standards you'll be responsible for justifying and defending to your customers.

You, essentially, function as a distributed sales force for the company that you do business with, but it's your image that's on the line in the case of dropshipping. This makes your relationship with your suppliers even closer than it might be in the case of normal sales.

In this case, you are reliant upon their ability to fulfill order quickly and correctly. Since you're the public face of their business, problems that arise in this department are your own to deal with, no matter what.

You may have some options for determining just how the information about winning bidders and their orders is transferred to your supplier. This may take the form of proprietary software that you then have to enter the information into manually. Conversely, you may have a

more informal arrangement where you simply cut and paste the relevant information into an email and send it to the order fulfillment department with any additional instructions.

Either way, the invoice you'll pay is generated from this information as is the accuracy of the order fulfillment. You are the quality control department until the order reaches your supplier's warehouse. Attention to detail is an absolute must.

Most of the time, your dropshipped orders will be sent to your customers without a hitch, leaving you to reap the profits and read the sales reports.

It is somewhat rare, though not unheard of, for an experienced dropshipping manufacturer to make a mistake with your order.

What is slightly more common is for companies that are new to dropshipping – especially those that have previously focused upon large, industrial sized orders in the past – to make a mistake either with the item shipped, or with putting your label on the box rather than their own.

However, the most common problem you're likely to have with any type of dropshipper is having an item go on backorder without notifying you first.

Handling Backorders

One of the hazards of dealing with dropshipping partners is that sometimes your items may be on backorder, causing you to break the bad news to your customer. If the backorder is short, this may not be a problem, but if your customer is in serious need, you may end up having to refund the customer.

If this is the case, you may be able to offer the back ordered item to one of your losing bidders at their losing bid price, as long as you're up front about the wait they'll incur.

Of course, the closer you are to the actual source, the less likely you are to suffer problems with backorders.

Of course, even manufacturers can suffer problems with raw materials suppliers and wholesalers might just have the sort of warehouse space that allows them to avoid backorder problems, but as a general rule, manufacturers are less likely to have such problems.

You can minimize this by maintaining a good relationship with your dropshipping partners. Over time, you should endeavor to build the sort of confidence by where they can tell you in advance when they expect an item to go on backorder for a short time.

This allows you to manage what items you put on auction, make the length of the auction longer or even remove the "buy now" option from your auctions until a short backorder period is over.

In rare cases, you may find yourself making substitutions to get a comparable item to your customer. Even if you build this caveat into your terms and conditions, you should still expect to inform the customer of your situation and ask their permission. If they agree to this,

If your customer agrees to this, you may end up eating some additional costs, but

Fair and Profitable Shipping Charges

While you certainly don't want to soak your customers with high shipping and handling costs, you do need to make sure you've covered all your costs, including your time. This can be done by using the shipping calculator or by setting a separate flat rate for all domestic or international destinations.

Doing the Shipping Yourself

Sometimes you may find yourself doing the shipping. Whether this is by design or in case of emergency, you should be familiar with the basics of how to deliver your products when no one else can.

Labels And Addressing

You can print labels by hand, of course, but if you're doing so on a regular basis, this will become prohibitively time consuming in very

short order. Another option is to print up labels using a database program and merge them into the labels function of your word processing software.

This allows to you keep a list of all your previous customers, but you'll still have to type or at least cut and paste all those addresses into the system.

You can have the labels printed directly from eBay. While this will save you time, though they might not look exactly as you'd like, with your company logo lovingly rendered and printed in your favorite font on specialized paper.

If this sort of image is not important to you because you're selling components for locomotives instead of handmade fashion, then it's not a problem. Like many things on eBay, it's a matter of saving time and money versus customization, and your business model (rather than your inclination) should be your primary guide for making such a decision.

Safe Packaging

There is one overriding rule of putting packages together for shipping: It is best to be safe, rather than sorry. You simply have to expect that no matter what you write on the package, it will be harshly dropped off the back of a tall truck in the snow, rain, sleet or a plague of locusts. You have to assume that the word "fragile" means "drop-kick" in the curious language of shippers.

Of course, every company touts their gentle handling, but the reality is that, late at night, when packages are put through their handling facilities, company policies are about as rare as hen's teeth.

You must protect yourself by over compensating at the packaging level. This means lots of shock absorbing bubble-wrap or "nurdles," no matter what they're made out of. The environmentally unfriendly styrofoam that was the mainstay of packaging for many years is being phased out in favor of bio-degradable replacements that look like corn-puffs without the atomic orange powder.

If you're a drop-shipper, you won't have the large cache of supplies on hand that many of the more traditional eBay sellers do. As such, it may very well be in your best interest to let the folks at the Post Office or UPS store help you out with the packaging and shipping. They are professionals and can either help you directly with the packaging (for a fee) or can give you recommendations.

One handy way around this is to do the packaging at the post office. There are boxes and materials there that will keep you from having to do the packaging at home and haul boxes in, or even from hauling said boxes into the post office for packaging there, as many people in a hurry do.

You should be prepared to give very special packaging to anything that is traveling by a freight service ([see below](#)). Such items will be

subject to a significant number of jolts and indignities that boxed items don't have to deal with.

This is partly because of the inherent difficulty in shipping some of these items, while part of it is simply the use of a forklift that can cause heartbreaking damage if it goes through the side of your goods.

Since it's almost impossible to do anything about the force of large machinery from a packaging standpoint, you should back up your packaging work on all types of shipments with shipping insurance. These are offered by both USPS and UPS by the declared value of the item being shipped.

If shipping very valuable goods, it is good to note that while the post office can insure you up to \$5,000, UPS offers coverage up to \$50,000 – then times as much! In addition, UPS insures all packages for up to \$100 without any additional fee.

Shipping Providers

EBay is able to provide shipping cost information for both the US Postal Service and UPS. In fact, the regular old post office is well set up to not only provide you with plenty of shipping options, competitive prices and materials but also, the option of confirmed shipping in the form of Certified Mail. UPS is most often used to send packages quickly in the US and internationally.

Other shippers include DHL, FedEx and Airborne Express. These services each specialize in a specific type of shipping, though they all provide a full-range of services.

FedEx, for instance, is often best used for items that need to get to a domestic destination overnight. DHL is especially good at getting smaller packages and documents to domestic and international destinations without fail, and Airborne Express delivers bulky packages worldwide on a tight schedule.

Another option that is of great interest to eBay dropshippers who have suddenly found themselves handling the shipping they don't normally have to deal with is to use an online source for shipping options. Stamps.com is a very commonly used such service that essentially acts as a very convenient middle-man between you and the post office for less than \$20 dollars per month.

If you find yourself dealing in very large, durable good such as autos or appliances, you will have to make other arrangements. This can be done though a private shipping company (such as uShip) or arranged privately with the person or company that won your auction. It is not unusual for someone to come to your location, rent a u-Haul truck and drive away with the purchase.

You might be surprised what you can ship with a private freight company. There are different types of trucks that specialize in refrigerated goods (also called refer-trucks) that can be used to send living plants as well as produce and other living things.

An abbreviated list of unusual items that might be shipped with a private freight service includes:

- ✓ motorcycles and other vehicles
- ✓ boats
- ✓ pets and livestock
- ✓ pianos
- ✓ anything too large to fit in a box and too small to fill an entire 48-55 foot long truck

Another option when shipping large goods or large boxes of small goods is to use a transit system better known for hauling people around, such as Amtrak or the airlines.

Of course, when using a passenger service, you'll need to make sure you're not shipping any of their prohibited items from a list that can be rather long – while some things, such as firearms are already prohibited on eBay, other items that have been added to such lists since the 2001 terror attacks.

Some shippers will charge extra for packages that are irregularly shaped or are otherwise not fully contained in some sort of shipping container. You may also find that some items are subject to state rules that require you to get permits before shipping, but the company that you're working with for private shipping will be able to instruct you on what additional paperwork needs to be filed, if any.

International Shipping Extras

No matter what service you use, if you're shipping overseas, there will almost certainly be an airmail surcharge. Be sure you build this into your shipping and handling price, especially if it's a flat fee.

Even though it's much less expensive, it's a very rare customer who wants to have their new purchases sent by the slow boat – a process that can take up to 3-4 months in the case of goods traveling to Australia or Asia. Since it's in nearly everyone's best interest to get the packages there in a reasonable amount of time, you have no choice but to rely upon air service.

Since any item going over an international border is inherently subject to import regulations, you'll need to “declare” what you're shipping in a written statement on the package. This is most often done on a 5-part form, so everyone and their grandmother can have a copy for their records.

Though your international customers will likely be expecting it anyhow, you should make a point to note on your auction that international shipments will take longer. As much as a few months in the case of items that are liable to be hung up in customs or are traveling to or from a notoriously secretive or oppressive society.

Even goods going between the US and Canada can be unexpected held up in customs if they are unusual in any way. Dolls, for instance, have

been known to languish in customs if there are even the slightest discrepancies on the customs paperwork.

As an international shipper, it's your job to make sure you are read up on the customs requirements of every country you advertise that you sell to. While you need not be an expert when you first start up, don't expect that you'll just go down to the post office and get it all right the first time.

Customs delays that are caused by paperwork problems can do nothing but reflect badly on you as an eBay retailer.

Even if you send a whole bevy of emails keeping the customer updated about the progress of their item through the customs process, if it's able to be construed as your fault in the first place, you may not actually generate negative feedback from the experience, but you probably won't have that person for a customer again and, certainly won't get any recommendations from them.

Monitoring Sales Progress

One of the most important aspects of keeping your eBay dropshipping endeavor profitable is to very carefully monitor the process. You can also use such monitoring to conduct scientifically-designed tests that will hopefully determine what methods and products sell the best.

While it will take several months of reports to get a good, overall picture of just how your business is going in a larger framework, you can get a feel for individual auction performances right away.

Of course, the first step is to get those reports in your hot, little hands. It turns out that the best reports are those that you compile yourself.

The first step, however, is to get in the habit of keeping very good track of every dime and all your time, so you can make accurate compilations of how much is being spent on your “free” enterprise.

Metrics and Reports

It is imperative that you make sure to keep track of the amount you're paying for each auction and the total amount of money you receive from your customer and compare that with the money you're sending to your supplier, the amount you pay for each auction in taxes and fees. If these columns don't add up, you're not making a profit in the end.

You need to keep very close tabs on your sales numbers, as well as the number of hours that you're putting into each aspect of the project. If you're not careful, you could end up working very hard to make less than minimum wage or even lose money in the long run.

If you're not making a decent hourly wage, you might as well give that day job some serious difficulty.

The easiest way to keep track of your hours is to use a spreadsheet that you always keep open on your work computer, to keep track of time spent on correspondence, listing and other activities. In an effort to keep auctions separate from one another. This is complicated when you list items together, as in the case of a "Dutch" or multiple auction.

As such, it's much easier to keep track of how much you've put into a specific item type sometimes, or specific order lot numbers.

This could be an arbitrary and sequential number you choose, such as is most often the case with invoice numbers, but you could also reference the method by which you obtained the item, too. Date codes are also very popular.

In combination with the eBay generated sales reports that are thoughtfully created, you should be able to use that information to generate a cross-populated report platform that that will be able quickly and efficiently compare how much your time versus profits.

It is especially important to make sure and keep track of exactly how much time you're spending on *all* your eBay activities.

This means every minute you're spending upon marketing, as well as all the time you'll be looking for new and better suppliers and market research, should be counted towards your total eBay time budget, so you get a really accurate picture of how much you're earning per hour of effort.

When you have an eBay store, you'll be able to change the preferences in your eBay account to allow you to access the Sales Report Plus option. Sadly, they cannot be automatically sent to your in box, but you can and should look them up online at least every month. If you don't look at your reports within 90 days, the subscription will lapse, and you'll have to sign up for it again, though such reports remain free free, as long as you maintain the store.

Interpreting Report Results

To really get the most out of the reports that you're able to get for free, you must consider all the elements that go into resolving the underlying question you (and all other eBay dropshippers) have: in short, "Am I making any money at this?" By making very careful reports and critically assessing the results, you'll be able to take charge of your business and make the changes that take a good retail venture and make it into a real money maker without having to take advantage of anyone.

In the case of most reports that are generated by eBay, since it only keeps track of your sales figures and fees spent with eBay, the story is quite incomplete. You should also be keeping track of all the associated costs and losses. This is why making your own spreadsheet with the eBay generated Sales Report figures is so very important when it comes to getting a good idea of exactly how much money you're really earning at the end of the day.

It is common for small fees that seem very insignificant to add up to a poorly performing business model. This is especially true in the case of some of the more highly competitive dropship product markets, where margins are not nearly as thick as they might be in the case of a more unique product. If your figures show that you're not making a living wage on any specific type of product (you can average out the hours you spend promoting the store in general to come up with a product-specific or category-specific number.

You may find that very specific items are not performing as well as you thought they were. To fix this, you'll need to fine tune the selection of items in your store.

While you could also simply raise your Buy it Now or starting bid/reserve prices on such items, it is equally valid to simply endeavor to trim the fat out of your system. Over time, you'll get a feel for when you should keep a poorly performing item in your lineup and which ones need to go, now.

You are in this to make money after all. You need to be ruthless with objects so you can remain personable and fair with your suppliers and customers.

Focusing Upon Strengths

When you have analyzed the reports, it should become clear what items are the most profitable for you and what types of auctions work the best. You may also, for instance, find that the articles you wrote for one service are far better at generating traffic than those on another site.

If you have a certain segment of goods that are selling particularly well, you may want to consider expanding out with similar items.

You may have come upon the "next big thing" without realizing it. More likely, however, you've simply come upon an item that was being under served in the retail market.

It's for this reason that early and continued examination of sales and input data is so very important. There's no other way to know how well your dropshipping enterprise is doing other than measuring your bank account at the end of the month or just going by your "gut feeling" -- both options are notoriously unreliable and inaccurate.

You may even find that one segment of your shop items is outselling and out-earning the others to such a degree that it warrants starting up a new eBay store dedicated to nothing but that category of item.

Since it's a relatively easy thing to just simply add another account, there's nothing preventing you from doing so.

Shoring Up Weaknesses

You may also find in the final analysis of your reports that there are some items that you're actually making money on, at the end of the day. This could be a result of items that have recently gotten a lot of competition. It could be an increase in the cost of shipping that you've failed to pass onto your customers. There are many reasons for a poorly performing item, and before you simply yank it or drop the "Buy it Now" price,

Make sure that the dip in profitability you seen in a given market category is the result of actual changes in profitability rather than reflecting changes in marketing plans. Such a dip in your figures could be the result of a site reworking that will result in higher sales in a few months time. It's important to really wait a few months for such things to settle out.

Moreover, you want the process of evaluating the overall profitability of an item to be as "scientific" a study as possible.

Regardless, you certainly will have items that simply don't perform as well as others in your dropshipping store product lineup. Deciding how serious and permanent the dip in the performance of such items is just as much an art as a science. This is most especially true of seasonal

items, and you may be surprised at just how many things do have a seasonal flow.

Again, that makes collecting market and sales data over the course of a year very important to making sure you're getting a clear picture of how items sell throughout the year. There is nothing saying that you need to waste time listing items during times of the year when they're likely sell – especially if there are even a few months where the purchasing profiles of your target demographic change.

As you become more adept at analyzing the performance of an item, you'll develop a better feel for just what sort of items are likely to sell, before you even bother experimenting. You will also have a good idea as to what items it's not worth your time to even bother with in the first place, even if they seem like a good match for your store profile from the get-go.

When your sales and time sheets are accurate, the power of metrics is unleashed and at your command.

Expanding Your Business

At some point, you may find that your dropshipping business has become so successful that you've outgrown your original business plan.

We should all have such problems! But don't be deceived – it is a problem. Either you'll find that you've grown too big to provide the sort of customer service that you need to deliver in order to maintain your positive feedback or you're not actively growing when there's plenty of room to do so.

Regardless, there are several options open to someone whose eBay dropshipping business has really taken off. You might, for instance, choose to keep your business small. You may also consider expanding or just hiring an employee to help you with certain aspects of the listing. You could even sell your entire enterprise to someone else who has more time and inclination to run your store the way it needs to be.

Deciding How Big You'll Get

This is not only a business decision but also, a personal one. If you're still working a day job and your business is expanding to the point where you no longer have any free time, you may find that you need to consider whether or not you want to quit your job and join the ranks of the self-employed.

You may prefer to keep your job and switch to part time work. If you enjoy a good benefits package, you may need to keep your full-time work and enlist the help of an employee to help you keep up with all the traffic you've generated.

Either way, a decision will have to be made. You might want to consult your friends and family to get their opinion on the matter. It might be surprising to you to learn how your loved ones feel about your new career. They may very well be all for you living your dream of leaving the office behind for good. Eventually, however, the decision is yours.

You should plan on checking on your sales figures and note how they're performed. You should see a general upward trend in sales as people have discovered your store and keep coming back for more and make it a point to evaluate the state of your company's size at least once per year. This will give you a chance to check for seasonal fluctuations that can attack at just the wrong time of year.

For instance, after the run up to Christmas and the immediate period of exchanges and the spending of Christmas money, there may be a several month lull while people are paying off their credit cards.

Business models that rely upon seasonal sales, such as a company that specializes in "love" themed gifts or another that sells gardening supplies might want to consider ways of extending their profits across the year or even going into markets in the Southern Hemisphere to have two busy seasons rather than just one.

If you can expand your markets into a year-round, full time work, you may be a good candidate for expansion.

Advantages of Upsizing

There are many good reasons for expanding your business. Since you're dropshipping, there is no need to put up additional money to fund your expansion from a shipping or merchandise point of view.

However, if you're looking to hire an employee or two, you'll need to have a certain amount of capital saved up to make sure you can meet payroll and

When you're large enough to compartmentalize your operations or can order items in bulk as well as dropshipping them, you've become streamlined for profit, taking advantage of the economies of scale.

Reasons to Stay Small

There's nothing saying that you have to expand. You can, for instance, keep your business the exact same size as it is now. If you've chosen products that are in regular demand, this should be a bit more feasible than the effort that folks dealing with fashion or some other class of items that is highly subject to demand volatility.

A very common reason to make a decision to stay small is the arrival of a child. Though certainly profound, such an excuse tends to be temporary. It may very well be in your best interest to shrink your business down a bit instead of simply letting it go (or selling off), altogether.

Other common reasons to stay small include illness in the family or other personal reasons that can change your life status. Sometimes it just is best to take a bit of a break from the business and concentrate on more important things for a little while.

And, quite honestly, sometimes you find out that you don't want to quit your day job and become a full-time eBay dropshipper – many people simply want to supplement their existing incomes without shaking up their lives too much. Even though you will have made a commitment to respond to inquiries on a 'round-the-clock basis, the volume of such inquiries may be relatively low – low enough to deal with on your work breaks and after hours, for instance.

While such commitments don't tend to be quite as profitable compared with a dropshipper who is focused on expanding and growing their business, there's still plenty of room on eBay for folks who do want to stay small. This is most often done by limiting the number products and auctions you list in a given month.

Downsizing

Sometimes those who are working on eBay just get sick of it. Those who have already grown their businesses to the point where they have several people working for them, sometimes want to go back to where they started because the responsibility has simply gotten way out of control.

New Products

All that said, let's assume you want to grow your business to the point where you are the organizational force behind a larger company that hires other people to do the more tedious jobs. In theory, this will leave you to spend your time doing what you really like to do, finding cool, new stuff to sell and establishing business relationships.

If you're going to grow, you'll almost certainly be carrying new items, and that is often a good way to expand once advertising is no longer effective in your existing market segment. Your sales figures will be able to show such a plateau. If it is maintained for more than a few months, it's time to get some new items in your store.

Additional items in your product line

Perhaps the easiest thing to do is to check with your existing dropshipping partners to see if they have any other items in their catalog that fit the model of your eBay store.

New product lines

If you decide to begin carrying several new items along a similar but related theme – something entirely new and, not just an expansion – you might want to consider starting a new product line within your existing store. Since you get several pages in you online store (five with the default store) you can devote a single page to each specific product line you decide to carry.

This way you don't have to go to all the bother of setting up separate accounts and you still are able to keep all the items your regular customers have come to expect in the very same place.

One logical type of expansion is to carry an item on your main page and then to have accessories for that item on another page. You may need to find other suppliers for such options, but rest assured, they do exist and this is a very logical step for expanding your business presence.

New sites for new products

If you find that the products you want to expand into don't really fit the theme of your existing store, you might want to start the whole process over again and open up a new store.

This can be done with a single seller ID or with a new one, though it is often most helpful to start entirely from scratch so you can keep

everything about each store separate for the sake of handling and teasing out the finances.

Becoming a Dropseller Supplier or Distributor

Now that you've really got sales coming in and have established some very good connections directly with manufacturers, you might consider jumping in and becoming something of a "middle-man" yourself. This is especially true if you've established very good ties with an overseas manufacturer and are able to offer goods at a profit that are still able to be sold at wholesale prices.

Another good reason to jump into this line of sales yourself is if you are actually able to produce a product. Usually such a product has a limited but steady customer base that won't overwhelm your ability to produce.

This does require you to get into the shipping business. As such, it often is best left to people who have made enough money at eBay dropselling to be able to branch out into a fairly large space. It also means that if things go well, you might find yourself hiring an employee or two or ten.

Hiring Employees

If things go really well, you may need to hire employees. It's a big step – on that absolutely requires you to have some savings in the

bank just in case early lean times make it difficult for you to make payroll. It's a big step that takes you business from something that only you are responsible for the well being (to an extent) of someone other than yourself. Now you'll really have to make this business work.

For most folks starting up, however, it makes more sense to hire a local freelancer who can come in and work a few hours here and there, as needed. This can be done on site or remotely, in many circumstances, especially those who assist you with auction listing.

Of course, the beauty of dropshipping on eBay is the relative lack of bother with auction listing, photography and order fulfillment, your enterprise will probably have to be rather large or fundamental change in some aspect of the dropshipping business model.

The basics

To begin with, you'll want to advertise around and find the very best folks for the job, at what you're willing to pay, even if that number does end up being zero. Perhaps you can work out something in trade, which is ideal for a start-up.

Before you can legally begin paying people, you'll need to get an Employers' Identification Number (EIN) if you're going to be doing things on the up and up. You can get one by mailing in an SS-4 form. You are now responsible for verifying, through a combination of

sanctioned identifications that you must keep copies of on file, the legal status and employment eligibility of your new employees.

There are a few forms to be filed with the government with each new employee, such as Forms I-9 (to establish identity) and W-4 (to establish withholding levels). If your employee qualifies for early withdrawal of EIC funds to be paid with each check, you'll also have to file the W-5 form to make that happen, too. There is a lot more information on tax-specific issues in [Chapter 9 – Taxes and Fees](#).

These forms require you to not only have your employee sign them, but you'll need to send them to the correct agency and begin making withdrawals from their paychecks that are then deposited with the IRS. These quarterly benefits returns can also be paid with credit cards, for a fee determined by the card company.

Generally speaking, you may pay into health insurance funds at a pre-tax rate without anyone getting a piece of it first. Very few start up businesses can afford health care coverage, so it won't be unusual for you to be offering a job without it.

No matter what they do for you, your employees can enjoy the same flexibility that you do. While it is sometimes not a good idea to offer jobs to your family or friends, it can also work out quite well – the moral of the story is that you need to take each situation as it comes with regards to deciding who to hire.

If you take an ad out, stick with your no-money down commitment and put it up on Craigslist.org (unless you live in San Francisco or New York) or for next to nothing the local nickel or penny saver ads. Online help wanted ads tend to work well for such work because it does require a certain amount of technical savvy that you may be able to select for by placing your ad in the Internet environment.

Branching Out Into the Real World

Once you've made a certain amount of money (and this is usually many thousands of dollars) you might want to re-invest that money back into your business in a more concrete way. Many people at least consider going into a real brick and mortar business after success online.

Aside from the old adage about not fixing things that are working well, there are some very good reasons why dropshipping remains a very attractive option, even if you do have money to spend on starting up a more traditional operation.

For starters, you're certain to require a fairly large amount of space, not only for a retail outlet but also, to warehouse goods.

While modern business practices are such that one rarely keeps a large overstock of goods on hand, even with a short supply chain, you'll need to keep the shelves stocked. Consider all the headaches that accompany owning or renting your home and you have an idea of

the concerns that plague a warehouse operator, from structural integrity to taxes to security.

Consider also what happens to goods that you don't sell. Instead of a \$0.30 auction, you may lose the entire cost of the product. If you can't get rid of an item at fire-sale prices, you might even have something of a disposal problem on your hands.

Of course, as the owner/investor of goods in the real world, you will also be responsible for doing the shipping yourself. Aside from the ever-increasing cost of receiving and sending goods that you are now wholly responsible for, you'll also very likely have to hire employees to help you either man the store or send out the goods.

Though you might stand to become a real local success, you need to be sure to weigh these arguments in opposition against any potential benefit you see.

One way to do this is to make several versions of your business plan – one optimistic, one pessimistic and one positively dire. By analyzing the differences between these plans, you can then do some serious research into what will influence those outcomes.

In short, it's not surprising that many dropshippers stay right on eBay where they know the money will continue to roll in for the foreseeable future.

Taxes And Fees

While this book is not designed to in any way substitute for the sage advice of a tax or legal professional, it can provide you with a framework you can use to bring intelligent and pointed questions to such consultants.

Managing eBay Fees

Though the fees incurred when putting up an eBay auction are very small, these can add up significantly – cutting into your profits – over time if you're not careful. On the other hand, if you are able to keep in mind the criteria by which such fees are calculated, you can minimize the amount of money you'll owe.

Such fees are generated both before and after you actually sell your products. They may be taken out of your primary business-specific PayPal account, through direct pay that then takes the money right out of your checking account or, with a separate credit card that you have on file with eBay.

If such a card is also your bank card, the money will come right out of the account you funnel your PayPal revenues into, helping you keep track of your expenses better.

Insertion Fees

This is the first fee you'll encounter when listing items for sale on eBay, though it is mercifully low. While this technically means you'll have to spend a small amount of money to begin your eBay dropshipping career, it will likely be less than \$5.

These fees are calculated according to how much you set the opening bid at. It is no surprise then, that so very many auctions begin with a bid of less than a dollar, since that is the lowest tier of insertion fees that one may be charged.

Insertion fees for store items on long-term auctions are much less – as little as \$0.02 per month for a store item, though they are far less likely to come up on product searches that are listed according to remaining auction time.

Media Items

Low value media items such as books, music and video games, have slightly lower base insertion fees, though the other fees that are charged for listing and auction services (such as adding additional photos) are the same price. Currently, the base listing price for items is just \$0.10 for items listed with a starting bid of \$0.99 or less.

For items with starting bids of \$25 or more, the fees for all types of media and normal goods are the same.

Everything Else

For items under \$25, the fees for most items, are slightly higher than that of media. For instance, the current fee schedule for most items runs as follows:

\$0.01 - \$0.99: \$0.15

\$1 - \$9.99: \$0.35

\$10 - \$24.99: \$0.55

These values jump significantly as the lowest bid price increases, making setting a "Reserve Value" (see below) the better deal.

Dutch Auctions

Also known as a multiple-item auction, Dutch Auction Insertion Fees are assessed according to a multiple of the minimum bid, with a maximum of \$4.00 in total. The minimum fee is \$0.99, no matter what type of good is listed or how many you're selling.

Business And Industrial Equipment

Durable goods such as those used in businesses and industrial applications are subject to a fixed fee for each of the common eBay fees that are variable according to value with all other items. These are:

Insertion Fee: \$20.00

Reserve Fee: \$5.00

Final Value Fee: 1% of the final value with a maximum amount of \$250

"Final Value" Fees

A sort of tax known as "Final Value Fees" are charged for every item that is successfully sold on eBay based upon a percentage of that final sale price, before shipping costs.

These are graduated according to a table, and they fall into three basic categories, with a break on higher value items:

Up to \$25

Between \$25.01 and \$1,000

Over \$1,000

Currently this percentage is set at 8.75% of the first \$25, or up to \$2.19 per auction. This figure could easily change without warning and, indeed, has done so in the past. For the next \$975 of value, only 3.5% is currently charged. An even lower percentage of 1.5% is assessed on all items over \$1,000.

Obviously, if you'll be selling most of your items in that \$25 and under category, these Final Value Fees will eat up a significant portion of your returns, and must be taken into consideration. In fact, for this reason (and many others) many dropshippers prefer to deal

exclusively in somewhat higher value items, despite the higher Insertion Fees.

“Buy It Now” and “Fixed Price” fees

Buy it Now fees are also assessed at a flat rate according to a graduated table. You must sell items for at least \$1.00 to be eligible for this option. Other fees are:

up to \$9.99: \$0.05

\$10 – \$24.99: \$0.10

\$25 – \$49.99: \$0.20

over \$50: \$0.25

This relatively inexpensive option can prove to be very lucrative for items that people are known to purchase on impulse, such as fashion or media.

Items that are listed in your eBay store with long term listings of between 30-120 days with a Buy It Now option are assessed at the Buy it Now price.

“Reserve Value” Fees

Reserve fees are calculated according to the reserve, or minimum amount you'll accept. This protects you in the event that someone offers you a ridiculously low price for an expensive item.

This is a fixed rate fee for items set at under \$200: \$2.00, no matter what. For items with a reserve that's set at \$200 or over, 1% of the reserve price is charged, up to a maximum of \$50, as of early-2008.

"Listing Upgrade" Fees

There are several things you can be tempted to purchase in an effort to get your listing noticed, even when it's not at the top of the list. Each is relatively inexpensive, but the fees can certainly add up if you're piling a bunch of them on.

Items include:

Value Pack: \$0.65

Gallery: Free

Gallery Plus: \$0.35

Listing Designer: \$0.10

Subtitle: \$0.50

Bold: \$1.00

Scheduled Listings: \$0.10

10-Day Duration: \$0.40

Gift Services: \$0.25

Border: \$3.00

Highlight: \$5.00

Gallery Featured: \$19.95

Home Page Featured (Single Item Listing): \$39.95

Home Page Featured (Multiple Item Listing): \$79.95

List in Two Categories – double what you've paid for a single listing

Other optional items such as "Featured Plus!", "Pro Pack" and "International Site Visibility" are priced as a percentage of their opening value.

Many of these items are not necessary if you have a store account, though it might be useful for you to experiment a bit when you're first starting out, to get a good feel for just how items are advertised and come up in searches. Especially when comparing the exact same item at the exact same price, you can get a good feel for what works and what doesn't.

Pictures

Using more than the one included picture in your auction is also charged according to fees, with a maximum of 12 pictures allowed. This may either be charged as a flat fee per additional picture or as part of a "Picture Pack," which provides a very good deal if you're putting quite a few pictures up. In most cases, for all but the highest value items, two or three good quality pictures are more than enough.

International Sales and Import Duties

If you should happen to make your sales outside the US, you'll have the professionals at your dropshipping partners to deal with all the customs regulations and packing considerations.

You may be responsible for paying taxes, duties and tariffs on goods that enter the US from another country or goods that travel abroad from the US. Such duties are usually paid for by the company doing the dropshipping and then assessed.

More likely, the company that you're working with will build such fees into the price of doing business in those countries – a fee that you'll want to add onto your shipping and handling figures so you don't end up having your profits eaten by the charges that your dropshipping partner is sure to charge you.

State and Federal Taxes

You can be quite certain that your federal and state governments want a piece of the dropshipping action. You are, of course, responsible for the usual taxes, but as a self-employed person, you are also responsible for the taxes your employer might otherwise pay.

This double taxation should be taken into consideration should you begin considering leaving your regular job for full-time, self-employment.

It goes without saying that you should consult with a CPA within the first year of your eBay dropshipping career. But, in the meanwhile, just keep very good records and keep all your receipts. You can use these as business expenses rather than the so-called standard deduction that is commonly used for personal returns.

This can take the form of digital receipts and confirmation emails, but be sure and keep them somewhere you can find them at the end of the year.

You may be required to file quarterly tax as opposed to yearly, but while you're starting up, it is unlikely that you'll make so much money so fast that it will even be an issue until your second year. Once you've established a track record of success, the government will have a basis for wanting to know more about your enterprise.

At the end of the year you'll need to give each employee a copy of their W-2 form that outlines what payments have been made to the government on their behalf as well as functioning as a sort of wage summary for the year. A copy of this is also required to be sent to the IRS. You have until the end of January of the following year to make sure you get those forms together for both parties.

You will be filing quarterly tax returns as an employer. If your yearly employer tax burden is less than \$2,500 (or a very part time, single employee) you'll file a form 941. Otherwise you must supply the more rigorous form 944 to the task. Non-payroll taxes are withheld with a form 945.

Quarterly 1099 and 8027 forms are due at the end of April, July and October, in addition to the end of the year. This information is very often sent electronically along with the withdrawal funds. This sort of reporting is very often handled by a third party payroll company that

specializes in taking care of such item for small and large businesses, for a fee.

Some of the exciting taxes you and your employees include Social Security (SSI), Federal Income, State Income and Federal Unemployment (FUTA) and Medicare taxes, as long as the pay-period (usually two weeks, but sometimes as long as a month) wages exceed the minimum amount that earnings are paid in or withheld.

You will be paying taxes for your employees as soon as the amounts withheld reach a certain level. FUTA, for instance, is sent into the Federal Reserve as soon as withholdings reach \$500 per employee.

The IRS has an impressive bevy of items that they either recommend or require you to keep track of in your bookkeeping:

- reported tips
- fair market value of any "in-kind" wages
- personal information, including dates of employment, for each employee
- dates and acknowledgments of "tax deposits" already made and received by the IRS
- records of fringe benefits and expense reimbursement records

There is even a separate form (8822) to be filed in the event that you physically move and change the business address.

There are a few exceptions to these tax laws that involve family workers, who just happen to be the most common type of first employee. As long as your company is still operated as a sole proprietorship, you may employ your children without paying Medicare, Social Security or FUTA taxes. The same is true of a business that is registered as a partnership, but in that case both partners must be the legal parents of the child employee.

Legal spouses may also be employed without paying the FUTA tax. Interestingly, you may pay your spouse to be the janitor/housekeeper for your company without paying Medicare, SSI or FUTA.

While you can get away without filing business forms for someone who occasionally comes by and helps you out in exchange for some home cooked dinner or some such, as anyone who has ever been caught can tell you, no one wants to mess around with the IRS.

So, don't.

Again, see a CPA for more specific advice with regards to how to go about filing a business tax return and gathering deductions. Just make sure and save a receipt for everything you spend money on, from mileage to meals to operational equipment.

Conclusion: Final Words

Now that you know the basics of selling dropshipped items on eBay, it's time to stop reading and begin doing. There really is no substitute for experience. Even if you don't make a fantastically huge profit on your first sale, it is still a sale that represents the promise of a free-lance lifestyle that many people crave.

In fact, though you won't get rich quick, you can work your way up to pretty comfortable over the course of even a single year.

Hopefully, this guide has shown you that while it may not be as effortless as some scammers might lead you to believe, someone who expects to do a bit of research into their business model can have a surprisingly easy path to a supplemental income.

With dropshipping, you can start augmenting (or even replacing) your existing income without having to save money for years or approach a bank for seed capital. Moreover, you get the pride of having a business of your very own that you've built from the ground up. Once you have that kind of confidence, every subsequent bold economic venture will be easier and easier.

Dropshipping on eBay has become something of a buzz-word, and it's in your best interest to make sure you don't get swept away in the rush of crowds by remaining very grounded in the work you've got

ahead of you before you can really call yourself a success. On the other hand, be sure and relish in the completion of every important milestone. Make a list of achievable goals and give yourself some sort of reward every time you cross one off.

You can do it, and having read this book, you've made an important contribution to your future success. Good luck!

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