

## **Hi, I'm Chris Malta. Welcome to my Top Twenty Critical Wholesale Tips for home-based online sellers!**

I've been running my own businesses in wholesale and retail for nearly 50 years (yes, I started very young!), and I've spent about 30 of those years making serious money online. I've sold online in just about every single way you can sell online, both physical products and information.

I've been teaching the most comprehensive ecommerce education on the planet for more than a decade.

I'm also the founder and CEO of [worldwidebrands.com](http://worldwidebrands.com), the internet's gold standard for finding 100% legitimate wholesalers for more than 20 years, with over 17 million products you can sell online.

I've also owned a wholesale distribution company in New York, myself.

So please understand that I REALLY know what I'm talking about here, much more so than any so-called 'guru' you'll find ANYWHERE online! So with all that said, here's tip number one:

### **Tip #1 - Get Legal or Get Cheated:**

When you're selling online, obviously you need products to sell! That means you need to find REAL wholesale suppliers. No affiliates, no middlemen, no "buying from China" (which is a HUGE mistake) ... you need REAL wholesalers. That allows you to buy at REAL wholesale prices and sell for a serious profit. If you're going to do business online, you need to form a LEGAL business...for LOTS of reasons, and here's just one of them.

You can't buy products from real wholesalers if you don't have what's called a sales tax ID. You can't get a sales tax ID unless you're a legal business. There are NO exceptions to this rule, although there ARE plenty of wholesale scammers out there who don't want you to know this.

Wholesale scammers are all over the search engines pretending to be real wholesalers. What they do is get in between you and the real wholesalers and jack up the wholesale price you pay, charging you way too much for your products. When that happens, you can't beat your competition.

Fake wholesalers LOOK real. They tell you that you don't NEED a sales tax ID to buy at wholesale prices. They're lying to you, so they can *rip you off*.

Let's take a minute to talk about WHY real wholesalers require that you have a sales tax ID. When they sell to you, they are not going to charge YOU any sales tax. Wholesalers NEVER collect sales tax; that's not their job. But legally they CAN'T sell to you without collecting sales tax unless they have YOUR sales tax ID on file in their office in case they ever get audited by the IRS.

That means no REAL wholesaler will EVER sell to you if you don't give them your sales tax ID. Now as we both know, greedy old Uncle Sam is gonna get his tax money somehow, so SOMEBODY's gotta pay the sales tax. That somebody is gonna be YOUR end customer, and that means YOU are going to have to collect sales tax from your customers.

YOU can't legally do THAT unless you have a legal business and a sales tax ID in your state. If you try to, you end up on the wrong side of the IRS, and that's a place you SERIOUSLY do not want to be.

Granted, there are 5 states in the US that don't require sales tax, so if you live in one of THOSE states you don't have to charge sales tax to your customers. However, real wholesalers don't particularly care if you live in a non-sales-tax state; they want a tax ID no matter what. This is where something called an EIN number comes in.

When you file your legal business, you want to file an LLC; a Limited Liability Company. Don't screw around with a basic company formation like a DBA or Sole Proprietorship; those things leave your PERSONAL assets (like your house, your car, your bank accounts and more) open to seizure if your business ever

has a legal problem. It's not worth the risk! An LLC give you a layer of protection against that.

So when you file an LLC, you'll get a FEDERAL tax number called an EIN. Wholesalers WILL accept an EIN in place of a state sales tax ID, so you're covered whether your business is in a tax state or non-tax state.

Starting an LLC can sound scary, but it's actually easy and relatively inexpensive. So remember, REAL wholesalers will ALWAYS require a state sales tax ID OR an EIN number from you. If they don't, they're not real and they'll cheat you out of your profits.

## **Tip #2 - Why wholesalers don't always want to work with online sellers.**

Many people who sell online have the false impression that wholesale suppliers should be falling all over themselves to work with online sellers. After all, they want to sell their wholesale products, right? Why wouldn't they work with anybody who can help them get those products out the door and into the hands of the consumers?

Well, it's a little more complicated than that. Real wholesalers, not the scam wholesalers and middlemen who advertise all over the search engines, have several good reasons to be reluctant to work with online sellers.

**Reason number one:** Real wholesalers spend most of their time dealing with large accounts like Sears, Walmart, Target and so on. An online retailer is a very small account to them. It takes a good deal of their time and effort to set up and maintain an account for a retailer. They have to spend their time wisely. And in their experience, most online retailers don't know much about wholesale and don't bother to LEARN. As far as the wholesaler is concerned, they take too much time to work with for too little return.

**Reason number two:** The sales reps at the wholesale companies work on a commission basis for the most part, so a sales rep at a wholesale company is

going to do their best to get large accounts and don't really want the small ones because they make far less commission on small accounts.

**And reason number three:** Many product manufacturers won't even allow their products to be sold online. This is because too many inexperienced online sellers think that undercutting everyone else's prices is the only way to sell products.

When well-known products get sold online for less than they're priced in physical stores, this DEVALUES the product's PERCIEVED VALUE in the marketplace. When online retailers sell at cut-rate prices because they don't have all the overhead expenses as big physical stores, everybody LOSES. The manufacturer loses perceived market value, the big box store loses sales and the wholesalers lose their large accounts with the big box stores.

So as you can see, there are several good reasons for wholesalers to be nervous about working with online retailers. It may not be fair, but it's all true. So how do you get around that?

When you contact a wholesale supplier, make sure you have a LEGAL business. Tell the wholesaler you're a retailer interested in selling their products. Sound as professional as you can. And don't mention selling online until you have to.

During your first call, ask the wholesaler what THEY need from YOU. Don't be NEEDY and ask them a whole bunch of questions about what they can DO for you. If they think for a minute that you're going to be a high maintenance, low commission account for them, they'll drop you like a hot rock. Make a list of what they ask you for, then thank them and hang up.

Your goal is to get a wholesale account set up. So use your business name, sound professional and make your first contact with them short and sweet. Understanding why wholesalers don't always want to work with online sellers will make the difference between getting a wholesale account and getting hung up on!

### **Tip #3 – Hide your Wholesale Suppliers from your competition!**

Selling online is competitive enough without having to worry about copycats. eBiz copycats are people who look at successful online stores and try to duplicate them for themselves. Sometimes, these are lazy people who don't have any original ideas. Sometimes they're people who've read a book that tells them to duplicate the success of others, and they've completely misunderstood that concept.

Whatever the reason for the copycat, the most important thing they have to find to duplicate your online business is the wholesale supplier of the products you sell. Now, unfortunately, most eBiz owners make it incredibly easy for the copycat to do that, especially for the millions of specialty niche products that are such good sellers online.

How many times have you seen a product in an online store that uses the WHOLESALER'S model number as the model number in the store? Probably pretty much every time you've been in an online store. For example, if the wholesaler's model number is 12345, the business owner lists 12345 as the model number in the store. Once a copycat has your manufacturer's or wholesaler's model number it's fairly easy for them to search that model number online and track down who wholesales the product.

You can stop these copycats in their tracks by simply changing the model number or product ID that you display in your store. If you're selling a blue throw rug, and your supplier's model number is 12345, simply change the model number to something like A276 when you put the product in your store. Copycats can search on that model number all day long, and never find the supplier.

Of course you DON'T want to do this for very well-known products like Popular Electronics where consumers actually search for the product USING the model number. However, the most successful online retailers know there's a lot more money to be made in specialty niche markets than in overcrowded, hyper-competitive markets like Electronics. So this tip works well for business owners who understand how to choose the right product niches to sell!

## **Tip #4 – Wholesale Prices are NOT public information!**

Moving on to tip number four. Wholesale prices are NOT public info. I get this question all the time. People ask, “why can't I see a wholesale supplier's prices before I have an account with them”? There are two main reasons for this.

**Reason one:** Wholesalers don't like to share their confidential pricelists with OTHER wholesalers. Wholesale suppliers compete with each other just like retailers do. If their wholesale prices were public information, it would make it a lot tougher to compete.

But **reason number two** is the most IMPORTANT reason. If any CONSUMER could look up the wholesale price of anything they wanted to buy simply by looking up wholesalers online, both physical AND online stores would have a really tough time selling anything! Customers would go to the retail store ALREADY KNOWING how much the wholesale price of the product was and would always try to argue the price down.

Of course, the customer will be forgetting how much it COSTS the store owner to actually run the store and earn a profit, which is why there's a retail markup to begin with. So in order to see a wholesale suppliers' prices, you have to prove to them that you're a legitimate retail business and then be accepted by the wholesaler for a wholesale account with them. THEN you get what they call their confidential dealer price list. This, of course, goes back to Tip Number One...having a LEGAL business and a tax ID.

## **Tip #5 – Prices get lower when you buy more.**

.This may be obvious to some, but most people don't realize that the more products you buy from a wholesaler at one time, the lower the price per unit gets.

Many small business owners complain about the fact that some of their competitors sell products at lower prices than the business owner can seem to buy them for. Almost every time it turns out that the competitor they're talking

about is buying the products in LARGER QUANTITIES from their wholesale supplier.

Of course, in the Fantasyland sales platforms like Amazon and eBay, those competitors actually ARE the wholesalers and manufacturers, and there's nothing that can be done about that; profit margins for small sellers on Amazon and eBay will ALWAYS be lousy.

However, when you're running your business YOURSELF, as you SHOULD be, it's important to understand that Wholesalers have something called a "graduated Pricing Structure".

For example, if you buy from one to 100 of a product, your wholesale price per product might be \$5 each. If you buy from 101 to 250 of a product, they might cost you \$4 each, and so on up the line. This is a very basic example, but you get the idea.

Online Sellers should ALWAYS START OUT using drop shipping, but as their sales increase they can begin to buy in quantity and use a Fulfillment Center to store and ship their products. I'll talk about that in another video, but just understand that online sellers who can afford to buy more products from a wholesaler at one time can increase their profits OR can charge lower prices when they sell them.

HOWEVER...one of the most important things that new E biz owners fail to understand about selling, whether online or anywhere else, is that YOU DO NOT have to have the lowest price! Retail Marketing is much more about making the customer feel that they can trust you and your store than it is about a small difference in price.

When we're talking about selling ONLINE, it's also about showing up near the top of the search engines so that your customers SEE you first. I can DEFINITELY TEACH you how to do THAT at ChrisMalta.com.

So after you choose your product carefully through proper Market Research (again, ChrisMalta.com), find a LEGITIMATE supplier at WorldwideBrands.com, get your business up and running PROPERLY and then track your sales.

Once you can accurately predict 30 to 60 days out how much product you'll be selling, you can start using some of your PROFITS to buy in larger bulk quantities, use a fulfillment center, and take advantage of bulk wholesale price breaks. This is what SUCCESSFUL online sellers do.

**Tip #6 – Some Wholesalers charge refundable deposits.**

REAL wholesale suppliers do NOT charge account setup fees or monthly fees to do business with them. If you come across someone calling themselves a wholesaler who DOES charge a fee like that, you're looking at a wholesale SCAMMER, not a wholesale SUPPLIER.

However, SOME real wholesalers do charge a *small deposit* when you first open an account that's credited against your purchases. For example, if there's a \$50 deposit to start an account with a wholesaler, you get that \$50 BACK when you order at least \$50 worth of product from them.

This is an issue that we have to try to look at from their point of view, even if we don't like it. After all, the better we understand the wholesaler's point of view, the better we become in this business. What we have to understand here is that many small retailers, online sellers in particular, tend to do a lot of window shopping with wholesalers. They set up free accounts with several wholesalers before they've really decided on a product line to sell. Most of the time they set up the account and never come back to buy anything.

UNDERSTAND that this IS part of a REAL Market Research process, so you WILL be doing this if you're doing Market Research RIGHT. However, it's also important to understand that it takes wholesale reps time and energy to set up these accounts, and that costs the wholesale company money. So while it isn't very common, what you're actually seeing here is a method that SOME

wholesalers use to weed out account requests from sellers who aren't serious about selling their products.

Deposits like these are always small when you consider the grand scheme of things. And the wholesaler doesn't want to keep your deposit. They just want to be sure that you're committed to working with them before they go to the internal expense of setting up your account.

Now remember, this applies to refundable deposits only. If a wholesaler tells you that you have to pay some kind of nonrefundable setup fee or pay a monthly service fee, then they are NOT a real wholesaler.

### **Tip #7 – Be *patient* when requesting Wholesale Accounts!**

The old saying goes that patience is a virtue. When you're a business owner, patience is not only a virtue, it's a REQUIREMENT.

After more than 20 years of providing the best and most highly respected wholesale information on the internet through my company [WorldwideBrands.com](http://WorldwideBrands.com), and more than a DECADE of TEACHING people to be successful in this business, I can tell you that the people who are the most likely to fail *are the people who are in a hurry*.

I've talked to THOUSANDS of people who want to start a business online today and make money TOMORROW, literally. Quick and easy money online is pure fantasy pushed by hundreds of con artists, and I won't even teach and mentor people who INSIST on being in a HURRY to build a real, successful business because IT SIMPLY CAN'T BE DONE. NO EXCEPTIONS.

It takes time, commitment, hard work and PATIENCE to build ANY successful business, either physical OR online. Please trust me on this; I've been building my OWN successful businesses for almost 50 years.

The easy money “gurus” all over the internet are both funny and sad at the same time. Funny because they are SUCH a joke...and sad because they steal SO much money from unsuspecting people who just want to start a real business.

So back to our subject...I've seen emails from people who've contacted a wholesale supplier asking for an account and want to know why they haven't responded within JUST A DAY OR TWO. These people get angry and think they're being ignored. And that is just not true.

It's important to understand that wholesale suppliers have businesses to run too. They get lots of requests for accounts and their sales reps work through those accounts as quickly as they can. Accounts setups aren't just a matter of throwing a switch at the wholesale company. They need to gather your information, process it, verify it, see if it fits their criteria for granting an account and then do the paperwork to set it up.

Now, some wholesalers are faster than others. I've seen a few who can set up accounts within just a few days. Others can take two to four weeks. It depends on the company. But it also depends on the time of year.

When wholesalers are in their busy seasons like the start of their Holiday Projection and Stocking season (which begins for wholesalers in JULY!), it can take longer. In slower seasons like spring and early summer it goes faster. The beginning of January is when wholesalers often close for a week or two to get stocked up on all their new products for the coming year. So THAT time can be a little bit slower too.

Overall, you really can't RUSH a supplier into setting up your account. They'll get to it. However, it IS important to remind them from time to time because that lets them know you're SERIOUS, and you're more likely to get an account when they know you're serious. Be nice about it but be persistent, and above all, be PATIENT!

## **Tip #8 – What to expect from Wholesale Profit Margins.**

I get a tremendous number of people asking what kind of profit margin to expect from a wholesale supplier. The first thing to understand about THAT is that profit margins will vary greatly depending on the type of product, the market demand, the level of competition and many other things.

It's impossible to say, for example, that you'll always make at least 30% profit on ANY wholesale product. It's just not the case. Other people have wildly unrealistic expectations, many of them believing that they should be able to earn 100% profit or even more on wholesale products. That may happen sometimes in VERY RARE CASES, but it's certainly not normal. Even the very big physical retail companies out there don't make that.

Years ago, I had a one-one-one face to face meeting with Roy Speers, the billionaire founder of the Home Shopping Network. I learned some really interesting things from him, one of those things being that the Home Shopping Network won't sell anything that they can't make at least a 67% profit margin on.

Now, wholesalers will TRY to make some kind of special arrangement with accounts that are THAT big because they know they'll move a lot of VOLUME. But they WON'T do that for most businesses, and definitely not for home-based businesses.

Home-based online sellers need to understand that they don't have the buying power that the big box stores do. Because we can't buy in huge quantities from wholesale suppliers, we can't get the maximum price breaks that they offer for say a \$100,000 order at one time. So what should you expect to earn?

Generally, you MUST make 20% just to stay in business, which is one reason (among many!) that Amazon and eBay are not a good idea. You need to make at least 35% for GROWTH in your business. *Proper market research* is CRITICAL before you even THINK about selling something. When I teach Market Research to the people I mentor, I've never seen ANY of them end up with LESS than a

45% average profit margin, and generally it ranges from 50 to 80%. That's because I teach it RIGHT. It's not simple process.

Also keep in mind that profit margin is not determined by simply subtracting the wholesale cost from the retail price that you charge. There are other factors you have to consider, such as what it costs you to actually run your business. That's called calculating your COGS, or Cost of Goods Sold.

For example, if you paid \$100 for 10 products and sold them for \$15 each, you grossed \$150. That sounds like you made a 33% profit, right? But that's not true once you calculate your COGS. What you really need to know is something called NET Profit. That's what's left after everything else is said and done.

So just keep this in mind. Your actual Net Profit is your wholesale cost divided by your gross sales MINUS your COGS. People who take time to understand that do much better in online business overall. If you learn to do your Market Research RIGHT, you WILL end up with highly profitable products, and that learning process BEGINS with my [FREE EBiz Insider Video Series at ChrisMalta.com](http://ChrisMalta.com).

### **Tip #9 – What to do when your Wholesaler has their own Retail Store.**

Some wholesale companies operate their own retail stores online. Lots of eBiz owners get very upset about this because they wonder how they're supposed to compete with their own wholesaler. After all, the wholesaler can sell for much less than the business owner, right? Actually, no, they can't.

Any real wholesaler who also sells online is NOT going to undercut your retail price. They'll generally offer their products at wholesale to you for about 30 to 40% less than their own online retail prices. Wholesalers are mainly in business to sell at wholesale, it's really not a good idea for them to get into the retail business themselves. But some of them do anyway.

Even so, if they were to undercut all the wholesale customers they have, they'd be killing their own wholesale business and they certainly don't want to do that.

Also, keep in mind that most of the so-called wholesalers you find in the *search engines* are not REAL wholesalers. Real wholesalers do not advertise in the search engines looking for wholesale accounts from home-based business owners because they see those accounts as too small to advertise to.

A real wholesaler would rather have 10 large, big box store accounts than 1000 Small ecommerce accounts. It's sad, but it's true. So if you find a company claiming to be a wholesaler in the search engines and they have their own retail site, you probably are looking at a scammer.

However, if you find a real wholesaler through trusted sources (like [WorldwideBrands.com](http://WorldwideBrands.com)), and they have a retail site, they are not at all interested in undercutting you and putting you out of business. Again, they will always offer you a decent profit margin when you buy from them at wholesale. That allows you to compete with them easily, which they're more than happy to have you do. In the end, they sell more products that way!

### **Tip #10 – Understand how Dropshipping REALLY works.**

Here's a hint: it has NOTHING to do with Dropshipping from CHINA, no matter what any of the online 'guru' bubbleheads tell you!

When you first start your online business, it doesn't make any sense to dump a lot of cash into buying physical retail products that you have to store in your garage or basement. It's an UNNECESSARY CASH OUTLAY. That's a bad business practice. So this is where the ever-popular DELIVERY method of dropshipping comes into play.

There are wholesalers who offer drop shipping as an added service. Not ALL wholesalers do this, not by a longshot. It's very hard to find a real drop ship wholesaler unless you go to [WorldwideBrands.com](http://WorldwideBrands.com), where we've been actually researching and qualifying GENUINE dropshippers every business day of the week for more than 20 years. On the other hand, most websites that *advertise* drop shipping are some form of wholesale scam.

However, real dropshippers work like this: you set up an account with the drop shipper. They send you images and descriptions of their products to use when you sell online. You put those images and descriptions online in a PROPERLY built online business, which allows you to make sales. Whenever you make a sale, you simply email the dropshipper and they send the product directly to your customer from their warehouse.

You've already collected the retail price from your customer, and you don't PAY the drop shipper the wholesale price until they SHIP the product. So you've made a profit without ever having to touch the product you sold.

The important thing to keep in mind about using dropshippers is that dropship products have a SLIGHTLY higher wholesale price than the products you buy in bulk wholesale quantities. This is because the wholesaler actually has to pay their employees to go out into the warehouse, pick, pack and ship each individual product for you.

I know how this works very well; we did it at the wholesale company I OWNED in New York. But if you're running your business the right way, that small difference in wholesale price isn't going to matter a bit. So drop shipping is the perfect ENTRY point into online business.

However, it's not a PERMANENT thing; not a 'Lifestyle', as some people online want you to believe. Always remember that you eventually increase your profits as your business grows by moving into bulk buying using PROFITS when you're READY, as we discussed in Wholesale Tip Number Five.

Dropshipping is exactly how the most successful online entrepreneurs got started. You'll find the world's only 100% LEGITIMATE directory of Dropshippers at [WorldwideBrands.com](http://WorldwideBrands.com), and I'LL teach you how to build a REAL dropshipping business if you want me to. THAT successful journey starts at [ChrisMalta.com](http://ChrisMalta.com).

## **Tip #11 – What MAP means.**

When you deal with real wholesalers, you'll come across a term called MAP from time to time. This stands for MINIMUM ADVERTISED PRICE. When a wholesaler tells you to use MAP pricing, that means that you CAN'T sell their products online or anywhere else for that matter, for LESS than the MAP price.

The reason for MAP pricing is simple really, manufacturers and wholesalers of products need to maintain a certain level of retail pricing for their products. They don't want people undercutting each other online to the point where the product itself loses Perceived Value in the consumer market.

For example, you're selling an RCA DVD player and your wholesale cost is \$58. But the retail price that most stores sell it for is \$119. RCA doesn't want you going out there selling it for \$60, which is \$2 over your wholesale cost, just to bring in lots of business. If you did that, you'd hurt your own business since you'd have to sell a lot of DVD players to make any real money and you would hurt a lot of other stores because physical stores can't compete with prices that low.

So they set a MAP price at say \$99, and don't allow anybody to sell for less than that. The MAP price evens the competitive playing field and protects the manufacturers product from losing retail value. When your wholesaler tells you that something has a MAP price, don't go below it, you can easily lose your wholesale account. If you see another competitor breaking MAP pricing, REPORT them to the wholesaler; they're hurting everybody and really need to be stopped.

## **Tip #12 – Understand what MSRP means.**

When you sell online using real wholesale suppliers, you're going to get a confidential dealer price list from your wholesaler. Remember that you need to work with genuine wholesalers. Anybody who doesn't ask you for your business name in your sales tax ID is not a real wholesaler.

On your dealer price list, you'll often see a column called MSRP. This stands for Manufacturer's Suggested Retail Price. The Manufacturer's Suggested Retail Price is just what it sounds like. It's the retail price that the product manufacturer suggests you sell the product for.

Remember though, this is a *suggested* retail price and is designed to help you determine the price you're going to sell the product for. It's not the price you **HAVE** to sell it for. You can be flexible and compete with others by moving that price up or down so that you have a reasonable price on your website.

Don't move the price **TOO** far down though. One of the biggest mistakes people make in online sales is to try to undercut all their competition. If you do that, you just end up in a price war with a bunch of other sellers and all the profit margin drains out of the product.

If your wholesaler does not include the MSRP on your dealer price list, ask them for a list of MSRPs. The MSRP is a very valuable number to help you decide quickly which products have better profit margins. For example, if you have a wholesale cost of \$70 on a product and the MSRP is \$100, you know at a glance that you have a profit margin somewhere around 30%. Of course this will change when you actually start selling it because most people sell for less than MSRP, but it helps to know what the MSRP is.

### **Tip #13 – Understand what MOQ means.**

When you sell online using real wholesale suppliers, you're going to get a confidential dealer price list from your wholesaler when they give you a wholesale account. On your dealer price list you'll often see a column titled MOQ. MOQ stands for MINIMUM ORDER QUANTITY.

That means that the smallest number of a particular product you can *order* from that wholesaler is that minimum order quantity number, or MOQ. The MOQ will be different for different products that the wholesale offers. Larger more expensive products generally have a smaller MOQ. Smaller, less expensive products generally have a higher MOQ.

MOQ comes from the fact that it isn't really worth it for bulk wholesaler to even sell a product, unless they sell a certain number of them at one time. Wholesale is a volume business and wholesalers' profit margins on individual products are actually quite low. That means that they need to sell a minimum order quantity or MOQ of each product in order to make selling them worth their time and effort.

HOWEVER, when you're working with a dropshipping arrangement, there is NO MOQ; they'll dropship for you one product at a time. Understanding MOQ comes in handy LATER, when your business grows and you start to move into bulk buying and fulfillment centers, as we talked about earlier.

#### **Tip #14 – Understand what QOH means.**

QOH is a wholesale term that you really need to pay attention to. It stands for QUANTITY ON HAND. A wholesaler's QOH number tells you how many of a given product they have in stock at that time.

Some wholesalers make this information available to you on private areas of their websites that are reserved for people who have a wholesale account with them. Others send regular updates via email. And in some cases, you might not have instant access to your wholesaler's QOH numbers. So you'll need to contact them periodically to find out what they are.

This is especially important in drop shipping situations where the wholesaler sends products directly to your customers for you. When their quantity on hand for a specific product that you sell drops near zero, you'll want to remove that product from your store temporarily until the wholesaler's QOH for the product comes back up, which means they've restocked that item.

If you don't pay attention to your wholesaler's QOH on the more popular items you sell, you run the risk of a backorder with your customer. This is most critical during the holiday season at the end of the year. During that time stay in touch with your wholesaler and ask regularly for the QOH of the products you sell most so that you don't end up back ordering customers during the holidays. Customers

are generally okay with the odd backorder here and there, but they don't like it during the Holidays!

### **Tip #15 – Understand what FOB means.**

Yeah, I know...there are lots of acronyms in wholesale...but you really should know them. When your business eventually grows into buying products in bulk from REAL wholesalers, you might come across this term. It's a shipping term, and it means FREE ON BOARD. Some people call it "freight on board", but FREE on board is the official term.

Think of it this way. When you buy a bulk load of wholesale products from a legitimate wholesale company, they're going to ship it to YOUR destination. If you're doing this right, that destination will be a Fulfillment Center that you're using to handle your orders and shipping to your customers.

When you arrange shipping from your bulk wholesaler to your fulfillment center (or any other destination, for that matter), you should see one of two things in the shipping documents. Either FOB Origin, or FOB Destination.

FOB Origin means that YOU are responsible for anything that happens to that shipment once it leaves the wholesaler. FOB Destination means that the WHOLESALER is responsible for the shipment until it gets to its final destination. So on those shipping documents, you ALWAYS want to see FOB Destination, because you don't want to assume liability for any problems with the shipment while it's en route.

### **Tip #16 – Learn what Net 30 means.**

Net 30 is a payment arrangement term that you might have heard of before. In this case, it would mean that you bought bulk products from a wholesaler, and they agreed to give you 30 days to pay for it. That allows you to sell some or all of the products before you actually have to pay for them, which is obviously helpful! However, home-based business owners rarely ever get a Net 30 agreement when they're first starting out.

As a small business owner, this is about building trust over time with your wholesale supplier. Like all home-based business owners, you'll start out with your wholesaler using your business debit or credit card. As you place larger and larger orders over time, you can begin to request a Net 30 account, and you'll get it as long as you have enough debit or credit history with that wholesaler.

This can take a few months or it can take a year depending on how much business you do with them. But eventually, you can apply for net 30 terms with your wholesaler. When they do approve you, it gives you a chance to afford larger wholesale purchases at one time, which gets you better price breaks on the products you buy, which in turn raises your profit margins. It also gets you started establishing a business credit history that can be used to get net 30 accounts much more quickly with other wholesalers.

### **Tip #17 – Understand what RAM means.**

This time the acronym is RMA, although sometimes it's called just RA. Either way, it has to do with product returns. RA stands for return authorization. RMA stands for return merchandise authorization.

When you need to return something to a wholesaler they have a process you need to go through. That process is how they control returns coming back to the warehouse, and they won't let you OR one of your CUSTOMERS return something without going through that process and getting an RMA number.

Let's say you bought 20 Dart boards from your wholesaler. When you receive them, you do a quality control check that you find the two of them are either missing parts or broken. You call your wholesaler and tell them you need to return the boards. The wholesaler will ask you a couple of questions and then create an RMA number for you.

They'll also set up a UPS or FedEx prepaid pickup for you since the products arrived broken, and you don't have to pay for the return shipping. They'll tell you to write the RMA number clearly on the outside of the box that's going back and

then UPS or FedEx will pick the products up and take them back to the wholesaler.

When the products actually get back to the wholesaler's warehouse, the wholesaler verifies the damage. They'll credit you with the amount of money you paid for the broken products.

Now when you use drop shippers, the same basic process applies. If your customer receives a damaged product directly from your drop ship wholesaler, the customer contacts YOU for replacement, YOU contact the wholesaler and set up the RMA number and then tell your customer to expect UPS or FedEx to pick up the product for free.

Sometimes the customer will have to wait for a replacement until the wholesaler verifies the damage, but often with dropshipping, your dropshipper will simply send a new product to your customer at the same time, so your customer DOESN'T have to wait long for replacement. And that's what RA or RMA means!

### **Tip #18 – Understand what SKU means.**

This is a really easy one. When you deal with real wholesalers, they may sometimes refer to an SKU you. The term SKU stands for STOCK KEEPING UNIT. The stock keeping unit is simply a model number or some other way to identify a product. The term is pronounced "SKEW".

For example, if a wholesale supplier carries 2000 different products that they sell at wholesale, the wholesaler carries 2000 SKUs. If they carry 550 unique products in their warehouse, then they carry 550 SKUs. If they carry two of the same DVD player, for example, but they carry one in black and another in silver. Each color of DVD player has its own SKU number. So that same DVD player in two different colors represents two SKUs. Simple right?

## **Tip #19 – Wholesale Discounts and Specials.**

It's important to understand that wholesale suppliers often run sales and specials just like retail stores do. There are times when they have inventory that isn't moving as well as they'd like, or have products leftover from last year's model runs or just want to sell something faster to clear their warehouses to make room for new products coming in.

When a wholesaler offers products at cost, for example, that means that they're not making any kind of profit on it. They're selling it to YOU for the same price they paid to the MANUFACTURER. Sometimes if the need is urgent enough, they'll even sell the items BELOW cost to clear warehouse space.

Your wholesaler will always keep you up on products that they decide to move at additional discounts, at cost or BELOW cost. While these are often great deals, remember to be CAREFUL of products offered at discount or at cost.

Wholesalers ideally like to do what's called a "sell through" on their warehouse every 30 days. That means that everything that comes INTO the warehouse LEAVES the warehouse (meaning it's SOLD) within 30 days. With discount or at cost products, for some reason the wholesaler was not able to do that. So before you take a discount or at cost deal from a wholesaler, make sure YOU'RE not going to have a hard time selling the products. Otherwise, YOU could be the next one selling those products AT COST.

## **Tip #20 – Understand what Trade Reference means.**

When you apply for an account with a real wholesaler, you'll often see a question on their application asking you for something called Trade References. What they're asking you for is information on what OTHER wholesale companies you've worked with BEFORE.

They want to use that information to see whether or not you have good credit with other wholesalers before they offer you credit themselves. Credit, of course, means Net 30, as we discussed in Wholesale Tip number 16. A new business

won't HAVE trade references yet, and that's okay. Just put N/A, meaning NON-APPLICABLE, on the line where they ask you for trade references.

If you're first starting out in business, the wholesaler will not be able to offer you a credit line to buy products now and pay for them later anyway. As we talked about in Tip Number 16, you'll work with them on a debit or credit card basis. However, after you work with a wholesaler from anywhere from a few months to a year as I mentioned before, you can ask them for a Net 30 credit line based on the business you've done with them so far. If they give you one, then THEY become YOUR first TRADE REFERENCE that you can use with other wholesalers.

**Those are my Top 20 Critical Wholesale Tips.** Please remember that I've been building and running my own SUCCESSFUL businesses for nearly 50 YEARS, about 30 of those years online. I can teach you things about the ECommerce business that all the so-called 'GURUS' don't even KNOW.

So check out tons more FREE info on my site at ChrisMalta.com, and if you have questions about your online business or about my TEACHING you this business, you **can call me direct at 888-824-7476**. Yes, really. That's my cell phone, and I'm the only one who answers it. No pitch, no pressure, just honest conversation that you simply won't find anywhere else!

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