**5 Reasons to Consider Drop Shipping**

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**Drop shipping is an order fulfillment strategy** where the retailer does not keep products in inventory, but relies on wholesalers or manufacturers to actually ship orders to customers. This arrangement has several advantages that make it attractive to online merchants.

When a customer places on order for a drop shipped product online, the retailer receives the order and payment for the order, and then either automatically or manually contacts the wholesaler or manufacturer, issuing a purchase order for the item and providing instructions for shipping directly to the customer. The wholesaler or manufacturer ships the product, and the retailer earns a profit.

There are at least five good reasons that almost any ecommerce retailer should consider drop shipping. Unfortunately there are some “gotchas” to consider too.

**1. A Broad Product Offering**

Drop shipping allows merchants to offer many more products for sale than what might be feasible if that merchant had to inventory everything.

Imagine a retailer who sells specialty coffee and tea both online and in a boutique. The physical store might have limited space for storing espresso machines, so that the retailer may only offer one or two models in store. But online, if the retailer has drop-shipping arrangements in place with several espresso machine makers, that retailer might offer dozens of different options.

Having a broad range of options can also help marketing, since each product page can be a landing page, entry in a comparison-shipping engine, or additional page for Google or Bing to index. These additional products are a way of introducing a greater number of potential customers to the store.

**2. Come to Market More Quickly**

While it takes just as long to post a drop-shipped product to an ecommerce platform as it does a product that is in inventory, drop shipping may help a merchant come to market more quickly.

Drop shipping eliminates wait times when products are shipped from the distributor or manufacturer to the merchant. In some cases, this can be a few weeks. With drop shipping, a merchant can start selling the moment the product is published on the ecommerce site.

**3. Explore New Lines**

Drop shipping gives merchants a way to test new products without having to bring in inventory.

For example, imagine a retailer that sells tack — saddles, bridles, and other equine-related products — for what is called “Western” style riding. Occasionally, this online retailer gets requests for “English” style saddles or riding apparel. A drop shipping agreement with a supplier of “English” gear would allow the retailer to explore how well those products would sell, without committing hard dollars to the test.

**4. Reduce Your Investment**

An underlying theme in points 1 to 3 has been that merchants employing a drop shipping strategy don’t have to keep products in inventory. Quite simply, since drop-shipping agreements generally do not require any upfront investment, a retailer can significantly reduce its investment in products.

This also means that some ecommerce start-ups don’t need as much money as one might think to get up and selling.

**5. More Time**

In a drop shipping arrangement, the retailer does not receive, stack, store, pull, pack, or ship products. All of these tasks are time consuming, which means drop shipping saves time.

In a startup ecommerce business where the storeowner may also be the box packer, this additional time will be available to actually sell products, which should benefit the company. In larger operations, the timesavings may result in a reduction — or stabilizing — of labor costs.

**The Downside of Drop Shipping**

Drop shipping does have its downside. For example, it creates customer service challenges as orders can get mixed up, inventory levels change, and product returns become complicated.

Profit margins for drop shipped items are often razor thin too. For example, I work with a manufacturer of apparel that charges an additional $10 per item drop-ship fee on top of the item’s cost and any shipping charges. This brand’s products often sell for about $59.99, with a cost of around $30. So a product sold from inventory has about $29.99 in margin while a product sold via drop shipping is at $19.99. If a retailer offers free shipping on orders above $50, an additional $5 to $10 of profit is also gone. Add an average return rate, payment card fees, and the cost of pay-per-click advertising, and there may not be a lot left.

With these potential challenges, drop shipping may work best in conjunction with inventorying some products.

**Summing Up**

Drop shipping is an order fulfillment strategy where products ship directly from a wholesaler or manufacturer to the customer; the retailer acts as a marketing and customer service organization. There are at least five good reasons to consider using this technique, although drop shipping may work best when it is blended with other fulfillment strategies.

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