



How to Source Wholesale on Autopilot

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Guide to Starting Wholesale on Amazon 101

[by Dan Meadors of The Wholesale Formula](#)

First, I want to say congratulations! By taking action and securing this document, you're taking massive steps forward in creating your business.

The truth is Amazon is the single greatest opportunity for budding entrepreneurs like you and me to create real, sustainable businesses. It's never been easier than it is right now to build, grow and scale a company. Over the past few years we've had massive success on Amazon, and have done millions in sales. What's even more impressive is the success our students have had:

<http://thewholesaleformula.com/work/students-sold-500-million-amazon/>

While this document isn't the full TWF strategy, as that would take hundreds of pages and hours to write, it is a complete guide on getting you started on Amazon with wholesale.

Check it out and get started... I look forward to hearing about your success!

What is Wholesale?

I really want to help you understand the model, as we believe it's critical to your success on Amazon.

One distinction we need to make early is that by following this business model, you aren't a wholesaler. By selling products on Amazon you are a "retailer" or a company who resells products for other brands on the Amazon platform. You simply purchase or procure the products that you'll be selling via wholesale.

So--wholesale is our acquisition strategy, and not our sales strategy.

I note this because companies will often ask what type of business you are, and it's important to remember you are a retailer, who purchases goods via wholesale.

Wholesale is one of the oldest forms of commerce and is quite easy to understand. When we say wholesale, we simply mean a company who purchases products in wholesale quantity to markup and sell at retail prices.

To do that, we have to set up an account with either a distributor or brand owner, which requires us to show them we are a business. Wholesale companies don't want to deal with end users (traditional customers) and sell their goods to them at a discount. Instead, they prefer to sell to companies buying larger than consumer quantities at a discount and have those companies sell their products to individual customers.

Getting Started with Wholesale

To get started with wholesale the first step we need to take is creating a legal entity. There are several ways to create a legal entity, but we generally advise that you take the easiest route to get the ball rolling.

DISCLAIMER - we aren't tax or legal professionals, and advice with formation or taxes comes from experience, but should not be treated as legal advice. If you have questions pertaining to formation or advanced tax strategy, we suggest contacting a certified professional.

That being said, we are happy to share what has worked for us. Initially we believe that it's easiest to create an LLC, as they have fewer regulations (and that's the advice that we give to students.)

To get started with wholesale you will need the following:

- An LLC, or similar legal entity
- A resale certificate (where applicable)
- A FEIN (Federal Employer Identification Number)
- An Amazon Selling Account

To help people navigate this process we created a widget that links to all of the necessary documents for all 50 states. Here is a link to that widget:

<http://thewholesaleformula.com/start-your-business-50-states/>

To get started, go to that page and select your state. You should be able to follow the links there to get set-up, which should be easily accomplished in less than an hour.

Once you have that in place, you can go to Amazon and set up your account. This process should take less than ten minutes. You will be required to have a credit card and bank account. Your credit card will be used for your monthly account charge (\$40), as well as for your first shipment of products to Amazon. Your bank account will only be used for depositing your money after you sell your items. Amazon deposits funds bi-weekly once you're selling items.

** If you aren't from the United States, but would like to do wholesale, don't worry. Instead of following the steps above, you would need to set up your business in your home country, then proceed as follows. For more information about selling as an international seller, please review the following article:

<http://thewholesaleformula.com/work/6-easy-steps-for-non-u-s-residents-who-want-to-sell-on-amazon-com/>

Here is where you need to go to get started setting up your Amazon account:

<https://services.amazon.com/selling/getting-started.html>

To complete the setup process on Amazon, simply click the "Start Selling" icon and follow the instructions. Again, the process should take less than ten minutes to complete if you have your banking and credit card information available.

Creating Accounts with Suppliers

Along with this document, we are giving you a list of 50 vetted suppliers. To set up accounts with them, you will need to contact them directly and start the account creation process. For this, you will need your resale certificate, as it's required by them to create your account, and approve you to purchase products at wholesale prices.

For setting up the accounts, navigate to the suppliers website and look for any of the following links:

- Wholesale
- Create an Account
- Contact Us

The verbiage will vary from supplier to supplier, but in general, the contact information can generally be found on their main page (usually towards the bottom of the page). If you're

unable to locate it, you can usually call and connect directly with a rep who can get you started with the process.

What Products Should I Buy?

Once you've navigated the approval process and have an active account with your suppliers, they will usually send you a Price List for all of the items that they carry. Sometimes these lists contain THOUSANDS of products, and can look quite daunting. While there are software options that can greatly speed up this process, we advise that you do it manually initially to learn more about the Amazon platform.

Once you receive your list, you can copy the name of the product, or ideally the UPC if that is available into the Amazon search bar:



Once you find the item, you will need to navigate to the bottom of the product page until you see the products Amazon Best Sellers Rank.

Amazon Best Sellers Rank: #21,291 in Grocery & Gourmet Food ([See Top 100 in Grocery & Gourmet Food](#))

It's important that you ONLY use sales ranks for the top-level categories as the sub-categories have lots of variations in sales velocity.

So, let's look at our example above, the sales rank is 21,291 in the top-level category of Grocery & Gourmet Food.

The Amazon Best Sellers Rank is a linear ranking system that tells you how well a product is selling in comparison to other products within the same category. For example, if a product has a sales rank of 1, it is the best-selling product in its category. The same is true for a product that has a sales rank of 1000, that would mean that it is the 1000th best selling product in its category.

By itself sales rank ONLY tells us the comparison between products in a given category. However, there is a free software solution that will convert that number into an approximate sales per month. You can check this out for yourself at:

<http://www.junglescout.com/estimator>

To use the software, you only need to enter the sales rank of the item with its corresponding category and it will give an estimate for the product's monthly sales.

In general, we look for products that sell 40 times or more per month. To help you with this, we've included a sales rank table below. This table contains the sales ranks that equate to 40

sales, and you would want to find products with a sales rank of this or less to make sure that your product meets that guideline:

Appliances - 7000
Arts, Crafts & Sewing - 25000
Baby - 25000
Books - 2,500,000
Camera & Photo - 3000
Cell Phones & Accessories - 40000
Electronics - 20000
Home & Garden - 10000
Home & Kitchen - 150000
Home Improvement - 50000
Kitchen & Dining - 50000
Music Instruments - 9000
Office Products - 50000
Patio, Lawn & Garden - 30000
Pet Supplies - 40000
Sports & Outdoors - 60000
Toys & Games - 60000
Video Games - 5000

I have not included the following categories sales ranks as they are considered "gated" and require additional approvals to sell into. While these approvals are easily attained, it's most efficient to get started in the ungated categories to get your feet wet.

List of Gated Categories:

Automotive
Beauty and Personal Care
Clothing, Shoes and Jewelry
DVD & Blu Ray
Grocery & Gourmet Food
Health & Household
Industrial & Scientific
Kindle Store
Music

The way to use this table is to find your product on Amazon and examine the Amazon Best Sellers rank for its top-level category. If that number is equal to or less than the number in the chart, that means that it has sufficient volume to be considered a possible lead. The other criteria that we are looking for initially is:

- the product is not sold by Amazon themselves, you can discern that by seeing who the product is shipped and sold by

Price: **\$11.70** (\$2.38 / Ounce) ✓prime
Get \$70 off instantly: Pay \$0.00 upon approval for the Amazon Prime Rewards Visa Card.

In Stock. Ships from and sold by Amazon.com. Gift-wrap available.

14 Flavors: Raspberry

Blueberry Lemonade from 1 seller	Caffeinated Strawberry \$25.53 ✓Prime (\$3.43 / Ounce)	Raspberry \$11.70 ✓Prime (\$2.38 / Ounce)	⋮
----------------------------------------	-----------------------------------------------------------------	--------------------------------------------------------	---

- that the product is sold by at least 3 other sellers, and has at least 1 FBA offer

- the product has a selling price of \$19.90 or higher on Amazon.com

If the product meets those four criteria: sufficient sales volume, not sold by Amazon, has at least three sellers (including at least one FBA) and is selling for higher than \$20 then it should be considered a quality lead.

Reviewing Pricing & Understanding Amazon Fees

Now that you've gone through the various distributor lists, next we want to look at your quality leads' profitability. To do that, it's important to understand that Amazon charges various fees for selling your goods on their platform. We always suggest utilizing the FBA service, as it allows for the easiest path to grow and scale your business. Here are the fees and charges that you should be aware of:

Amazon Referral Fee - 8%-15% of total sale price

Amazon Fulfillment Fee - Varies by item

Amazon Inbound Shipping (Shipping your Goods to the Amazon Fulfillment Centers) - variable based on dimensional weight, but can be calculated at \$.50/unit for small to average size products.

I realize that this can seem daunting, but fortunately Amazon has made this much easier with their (free) Amazon fee calculator, which you can find at this link:

https://sellercentral.amazon.com/fba/profitabilitycalculator/index?lang=en_US

To use this widget, you simply need to find the ASIN for the product and enter it into the search bar. You can find the ASIN on the Amazon page next to the Amazon Best Sellers Rank.

ASIN: B001EQ5SGA

Item model number: 35364

Average Customer Review: ★★★★★ 390 customer reviews

Amazon Best Sellers Rank: #21,291 in Grocery & Gourmet Food (See Top 100 in Grocery & Gourmet Food)
#84 in Grocery & Gourmet Food > Beverages > Bottled Beverages, Water & Drink Mixes > Powdered D

Then, you will want to use the Amazon Fulfillment Column and will need to enter your sales price under the column "Item Price". You can estimate the "Ship to Amazon" price at \$.50 and then can enter the cost you are paying the distributor for the product in the "Cost for Product" box.

If you enter all of those fields, you will see your "Net Profit" and "Net Margin". If you don't enter the additional costs (i.e. cost of product and shipping), you can take the display amount (Net Profit) and subtract the cost that you are paying for the item to get to your Net Profit number.

	Your Fulfillment	Amazon Fulfillment Current
Revenue		
Item Price	\$ 0.00	\$ 11.70
Shipping	\$ 0.00	\$ 0.00
Total Revenue	\$ 0.00	\$ 11.70
Selling on Amazon fees	\$ 0.00	\$ 0.94
Fulfillment Cost		
Cost of Seller Fulfillment	\$ 0.00	N/A
Fulfillment by Amazon Fees	N/A	\$ 4.80
Ship to Amazon	N/A	\$ 0.00
Total Fulfillment Cost	\$ 0.00	\$ 4.80
Seller Proceeds		
	\$ 0.00	\$ 5.96
Cost of Product		
	\$ 0.00	\$ 0.00
Net Profitability		
Net Profit	\$ 0.00	\$ 5.96
Net Margin	0.00%	50.94%

Calculate

In most cases, our goal is to find products where we make a profit of \$5 or more per item with a minimum Net Margin (per the Amazon calculator) of 15%.

Placing Your Order

After we've found leads, and determined which of those leads allow us to make a profit, the next step is placing the order with our supplier.

This process will vary from supplier to supplier, but will be standardized for the most part. The main thing you'll want to be conscious of is:

What is the Minimum Order Quantity (MOQ)?

An MOQ is the minimum amount of product that you are allowed to order from the supplier. Typically, this is between \$250-\$500, but will vary from supplier to supplier.

Once you've found the MOQ, you can submit your prospective order. At this point, we would ask for a shipping quote. You can either arrange shipping to come to you or a prep center if you don't want to physically receive or touch the products. Later on, you can work with select suppliers to send products directly to Amazon, but for your first few orders we suggest either processing them yourself or sending them to a prep center.

Here is a list of 25 prep centers. If you are interested in going this route (which we currently do), you would need to contact the prep center directly and set up an account. The vast majority of prep centers are free to set-up with and just charge you as they process your products.

[Click here for the list of 25 prep centers.](#)

What's Next?

If you've followed the steps in this document, you are good! You will have found a set of products, reviewed the related fees, found the profitable products, bought those products and had them sent to your prep center and then the prep center will process and send those products on to the Amazon Fulfillment center.

The last thing we have to cover is pricing. Our suggestion is to match the lowest (PRIME) price, and to base your profitability calculations around that. Once your goods are in stock, it will be important to monitor your prices to make sure that they stay in line with the market, as prices do fluctuate on Amazon.

As your products start to sell, celebrate - then rinse and repeat the steps above.

Congrats on your new Amazon wholesale business.

- Dan

PS. I almost forgot... here is your list of 50 vetted distributors to get you started!

- 1) Alpine Net Corporation // www.alpinesdeals.com
- 2) Group Sales // <https://www.groupsalesinc.com/Home>
- 3) EE Distribution // www.eedistribution.com
- 4) Empire Discount // www.empirediscount.net

- 5) Everest Wholesale // www.everestwholesale.com
- 6) Mad Al Distribution // www.madal.com
- 7) Powerhouse Toys // www.powerhousetoys.com
- 8) Rhode Island Novelty // <https://www.rinovelty.com/>
- 9) Shepher Distribution // <https://www.shepher.com/>
- 10) UPD Inc // <https://www.updinc.net/>
- 11) Yes Anime // www.yesanime.com
- 12) Kole Imports // www.koleimports.com
- 13) Amscan // amscan.com
- 14) Beistle // www.beistle.com
- 15) Burton & Burton // www.burtonandburton.com
- 16) CTW Home Collection // <https://ctwhomecollection.com/>
- 17) Darice // www.darice.com
- 18) Enesco // www.enesco.com
- 19) Silver Buffalo // <http://www.silver-buffalo.com/>
- 20) Vandor Products // <https://vandorproducts.com/>
- 21) Dog Supplies // www.dogsupplies.com
- 22) CSS Inc // www.cssincusa.com
- 23) Mazel Group // <http://www.themazelcompany.com/>
- 24) Mid American Tool // <http://www.mid-americaentool.com/>
- 25) Wild Bill's Wholesale // <https://www.wildbillwholesale.com/>
- 26) Sportsman's Supply // <http://sportsmanssupplyinc.com/>
- 27) DEI // www.deidirect.com
- 28) Gibson USA // <https://www.gibsonusa.com/>
- 29) Roden Imports // <http://www.rodenimports.com/>
- 30) S&S Worldwide // <https://www.swww.com/index.php>
- 31) Axiom International // <https://axiomintl.com/>
- 32) Eco Smart Designs // <https://www.ecosmartdesigns.com/>
- 33) Fun Central // <https://funcentral.com/>
- 34) Regent Products // www.regentproducts.com
- 35) Jam'n Products // <http://www.jamnproducts.com/>
- 36) ACD Distribution // www.acdd.com
- 37) Aero Trading // www.aero-trade.com
- 38) Jerry Leigh // <http://www.jerryleigh.com/>
- 39) John Hansen Co // <https://www.johnhansenco.com/>
- 40) Peach State Hobby Distribution // www.phdgames.com
- 41) Schylling // <https://members.schylling.net/>
- 42) Sports Images // www.spimages.com
- 43) Toys One // <http://www.toysoneusa.com/>
- 44) D&D Distribution // www.dddist.com
- 45) Flomo USA // <http://www.flomousa.com/>
- 46) Fantasy Gift // www.fantasy-gift.com

- 47) Kallan LP // <http://www.kalanlp.com/>
- 48) Valley Supply Inc // <https://www.valleysupplyinc.com/>
- 49) Galaxy Distributors // <http://www.galaxydist.com/>
- 50) Dollar Days // www.dollardays.com

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