

## Shared Profit Ordering

It is a simple concept, but an easy way to increase your profit margins on products you carry or want to carry is to pay less for them.

Duhhh, right?

So, how do we go about paying less?

### Hit Quantity Price Breaks with Shared Profit Ordering

Well, most manufacturers offer significant price breaks on their products depending on the quantities that you purchase.

The problem is that the cost of purchasing such large quantities of a product, in order to hit those price breaks can be a barrier for someone just starting with wholesale or who has limited capital to work with.

We have found that a great way to hit those large quantity price breaks even with limited capital is via partnerships with other sellers that you trust.

### Example of Shared Profit Ordering

Let's go over an example based on one of our real life experiences to show you how effective this can be.

One time, we were sourcing and found a pretty good looking product. It had a great sales rank, but it also had a fairly high volume of FBA sellers, and they were all very close in price. We ended up adding this product to our Pre-contact spreadsheet anyway, just to see what kind of price we could negotiate with the manufacturer.

When we called them, we started asking them a lot of questions about their quantity price breaks. They had a few different levels, and it went a little something like this.

100 units - \$10 per unit

250 units - \$9.50 Per unit

500 units - \$9.00 per unit

1500 units - \$8.00 per unit

With this information, we took a hard look at what the other sellers on Amazon were selling this product for. We determined that there was no way that any of them were getting the \$2 price break at 1500 units based on their prices, expected margins, and how they were competing with each other.

We realized that if we could get the \$2 price break, we could price down to a point where nobody could compete with us, and we would still have a higher profit margin than them. Best of all, our price would be low enough that we would get nearly 100% control of the buy box. At this kind of advantageous position with such a high ranked product, we could sell through all 1500 units in a matter of 2 or 3 weeks.

However...There was one big problem. We didn't really have \$12,000 openly available to us at the time to make such a large order. That is a lot of money, and this was when we were just starting out our wholesale business.

But we saw this amazing opportunity and knew we couldn't let it slip through our fingers. That is when we started brainstorming ways to make that 1500 unit order.

In the end, we decided that the best way was to split the cost of the order, and split the inventory with a couple other FBA sellers that we knew, and most importantly, that we trusted and who trusted us.

We presented them all the information we had and how great this opportunity was. They all thought it looked good, so we each put in \$4,000 and I made the \$12,000 order, dividing the product equally among us.

We were each able to get 500 units at \$8.00 per unit

We agreed on the price that we would set, and each of us listed our product at that exact price. We would control roughly 33.3% of the buy box each until we all sold through the order based on this.

In the end, it all worked out just as we planned. Each of us sold through our inventory in a few weeks and we dominated our competition. We kept re-ordering the same way and we continued to dominate that SKU for a long time, and made a lot of money.

The example we have shown here was a large and expensive purchase, but opportunities like this exist at all kinds of pricing levels depending on the product.

### **Final Slide**

Developing these kind of partnerships can be great when you are just starting off and have limited capital available to you. It enables you to get the big price breaks with a fraction of the investment.

Now, all this comes with a warning. You need to decide if partnerships like this are right for you, and no one else can make that decision but you. Remember, you have to 100 percent trust this person, and they have to 100 percent trust you. There is a lot of money changing hands in situations like the one we portrayed.

Alternatively, you have another possible option with partnerships, but this is one that we have no experience with, so it is all theoretical.

If you are unable to find other FBA sellers to split order with you, it is possible that you could find people that you know and trust to "invest" in your company for these orders. You would just split your profits from that product with them according to how much they invested. Again, trust would be a huge factor here, and taking a route like this is something you would need to decide for yourself.

Take what we have laid out here and keep it in mind anytime you are looking at pricing sheets or talking with manufacturers.

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