



## Product Research Review

Being able to identify and recognize great potential wholesale product opportunities is vitally important. We have broken down how to do this into an incredibly easy system and we're going to show it to you right now.

There are many factors that go into analyzing a product for wholesale. In this video, we're going to cover the three most important factors. Amazon competition, sales velocity and regular competition AKA other third party sellers. Using this system, you will be able to look at any product on Amazon and determine roughly how many units of that product you can expect to sell in a given time period. This is vital because it allows you to fully comprehend and know what to expect with any wholesale purchase. Before we go over the factors, you need to understand our big picture philosophy for wholesale. This is important so I encourage you to pay close attention.

Wholesale is totally different than other Amazon selling strategies. That means you have to take everything you think you know about things like Amazon Best Seller rank, ROI or profit margin, and throw it out the window and approach this with an open mind. The general wholesale strategy we used to quadruple the size of our business in only a year is as follows.

Focus on products that you can sell fast and often. You may be of the philosopher with RA or OA where you focus on the top 3%, 2%, or 1% of products in terms of their sales rank. You have to forget those concepts because you need to be more exact with wholesale. Those figures are too loose. Ideally, we want a product to sell about 90 times per month minimum or an average of three per day if you're buying in quantities smaller than a month's worth. There are expectations where we would accept a lower velocity but, typically, we want to have those with a higher ROI to justify it.

Speaking of ROI, we had to change our mindset and expectations with ROI in comparison to other selling strategies like retail and online arbitrage. Our business model with wholesale is about volume. We find products with an ROI as low as even 30% to be completely acceptable for wholesale. This volume and velocity along with the efficiency of selling wholesale enables you to grow your business with speed rather than high margins. It is a liquid cash flow model where you're constantly buying and selling creating a snowball effect with your investment.

Now, I think you're ready to dive into our top 3 most important factors for analyzing products for wholesale. Let's start with factor number one, Amazon competition. In a nutshell,

we don't want to ever carry a product that Amazon also carries. As a competitor, Amazon is relentless. For one, Amazon does not share the Buy Box equitably, making it difficult to price match with them and still get sales. Two, if you do price lower than Amazon, they're very likely to lower their price as well making it an unwinnable affair.

This means, when we are sourcing, typically, the first thing we look at is to see if Amazon is a seller. If they are, we immediately roll that product out as a prospect. We do this first because it saves us wasting any time on any further analysis of the product. That is not the only Amazon competition analysis we do. Let's say we stumble upon a product and we do not see Amazon as a competitor and this product meets all of our guidelines for being a great potential wholesale product. The very last thing we do before putting our prospects list is to use a tool like camelcamelcamel or price zombie to check the product's history. We want to see if Amazon routinely carries this product.

You don't want to be caught falling in love with a product only to find out you got lucky and saw it on a single day Amazon just happened to be out of stock. Doing that little bit of research can insulate you from situations like that. Further, if the product is part of a brand or line, we'll look at other products in the brand or line to see if they are carried by Amazon. If they are, this raises red flags and alerts us that this manufacturer does in fact sell to Amazon.

We won't necessarily write off those products based on this, but we will want to have correspondence with the manufacturer to find out why the specific product we are looking into is not carried by Amazon and if they plan on selling that product to Amazon in the future.

The next critical factor we use to evaluate a product is determine its sales velocity AKA how often a product sells at a given time period. The time period that we generally use is monthly so to put it more simply, sales velocity is the number of times a product sells on average per month. As I mentioned earlier, we're looking for products that we can sell about 90 times per month as a minimum. Now, to be clear, when we say 90, that's the number of times we want to be selling the product in a month, not its total number sales in a month. In general, its total number of sales per month will need to be much higher than 90 for us to achieve our 90 sales per month among other Amazon sellers. We gauge how many times a product sells in a month based off its Amazon bestseller rank in its main category.

In the past, estimating the sales of a product based off its sales rank was difficult. Now, there is a paid application that will do it for you called Jungle Scout. We use it every day in our business. When you're on an Amazon page, it will give you the estimated monthly sales volume for a product along with loads of other information. However, you will be pleased to know that Jungle Scout has a free web tool that lets you know the monthly sales volume for a product. All you have to do is plug in the sales rank into the proper category and voila. This is the free Jungle Scout estimator and it can be found here at [junglescout.com/estimator](https://junglescout.com/estimator).

As an example, I just use the estimator for recording this video and it told me that the sales rank of 20,000 in a category of health and personal care translates to around 180 sales per month. It's really is easy as that. This date isn't exact but it is the best estimate you will find anywhere and as close to real time data as you can get.

Another piece of advice I'll give you is that you should also check what a product's average sales rank is over time. Sales rank fluctuate constantly so getting the sales velocity based on its average is typically a good idea. You can find this information on [camelcamelcamel.com](http://camelcamelcamel.com) and [pricezombie.com](http://pricezombie.com).

Now that you know how to determine the number of times a product sells in a month, it is time to learn how many units you can expect to sell. You do this by factoring in the competition on the product. I will start by telling you that the total number of sellers on a product is almost completely irrelevant to how many units you can sell. Instead, it's about how many sellers are truly competing for the Buy Box. Pay very close attention to this part.

The Buy Box can be split or shared amongst sellers. For FBA on Amazon, assuming all things are equal among sellers, you are not eligible for the Buy Box share unless you are within 2% above the lowest FBA price. Any FBA seller outside that range will very rarely get sales. This is a pretty simple concept. It means any FBA sellers higher than 2% of the lowest FBA price can be considered non-competitive. We discount those sellers outside of Buy Box competition in our calculations. Be aware that this evaluation is assuming all things equal among sellers for Buy Box competition. There are other factors, all of which we can't cover here, but just know that the number one factor for Buy Box competition is price.

Also, this information was all relevant FBA offers. Merchant sellers are at a much bigger disadvantage. A merchant offer would need to be 5% to 10% cheaper than the lowest FBA price to gain Buy Box shares. We rarely, if ever, consider merchant offers as competitive. Our plan with a large majority of the wholesale products we carry is to price match the lowest FBA price.

Now, let's bring it all together with real examples and a little basic math to view a product to determine how many we can expect to sell if we are competitive with the Buy Box price. First, let's examine this product's sales rank, currently 109. Using Jungle Scout to estimate the sales per month shows that this item sells approximately 2,000 times each month. Let's look at this product more closely from the competition aspect to see if it is a product that we should consider carrying.

As we can see, the current lowest FBA price for this product is \$27.20. Extrapolating that information, \$27.20 times 1.02, which is 2% higher, equals \$27.74. This basic math shows any one price beyond the \$27.74 range, we will consider to be an irrelevant, non-competitive seller.

At the time of this video, I found 11 FBA sellers selling the product within this 2% price range. Assuming that we will be the 12th FBA seller, examine our pie. Two thousand divided by 12, equals 166.667 units per month, which is well inside our range. This is a product that would

meet our sales velocity and competition requirements. This calculation assumes that all things are equal and each seller will get 1/12th of the sales of this product. But, as our Buy Box module teaches, all things are not equal. Our Buy Box module and the wholesale formula share strategies and tactics to get an even more equitable share of sales.

This product has a 17,060 sales rank in Toys & Games. Jungle Scout suggests that this product sells approximately 585 times each month. Now, to examine our competition. As you can see, there are 89 sellers who offer this product. Furthermore, we only need to look at the sellers that are competing for the Buy Box. The lowest FBA price is \$13.95. With that knowledge, we apply our 2% addition to see where we can start discounting irrelevant sellers. \$13.95 times 1.02 equals \$14.23. All sellers selling FBA at a price higher than \$14.23 will be considered irrelevant.

As this stands, I found that there are currently 30 relevant sellers, meaning when we jump in, we will be the 31st relevant one. 585 sales per month divided by 31 sellers means we could expect to sell just over 18 of this product each month. Our competition analysis shows that the quantity of Buy Box splits between 31 sellers make this product one that we should avoid based on our previously noted criteria of 90 sales per month.

As we come to an end, let's recap all the steps. First, we navigate Amazon using lead sourcing, the technique we developed to quickly and efficiently search products on Amazon, a technique we teach in the wholesale formula. For each product we view, we follow the steps outlined in this video. First, we check to see if Amazon is a seller, then we check the sales velocity with Jungle Scout. Next, we scan over the sellers to find those that are competing for the buy box. Lastly, we check the sales rank history on camelcamelcamel or price zombie. If all these factors check out, you have found a great potential wholesale product and should move forward with contacting the manufacturer to setup a wholesale account.