

# THE WHOLESALE FORMULA

## Module 2 – Defining Your Product Range, Part 1

Welcome back! In this video, we are going to set you up for the scouting module by helping you define your product range. Your product range is the types of products that you will be able to carry and sell on Amazon. We have already provided you with a few guidelines to help you define it. Now, we're going to take a closer look to see how each one of those guidelines will influence both your scouting decisions and business moving forward.

Here are the guidelines we have provided you with so far when conducting your product analysis. Obviously, each one of these contribute to defining your product range. They have been a huge contributor to our success. They have allowed us to outsource the majority of our scouting because they are easy to follow, allowing us to be much more efficient and focus on higher-value tasks. Not only that, but they are also very effective. These guidelines help our scouting team avoid products that aren't right for our business, thus they return more quality leads. So, these guidelines are effective and allow for efficiency.

But, the first lesson I want to stress in this video is that these guidelines are just that...they're guidelines. The only two that are hard-set are: "sold by Amazon" and "private label." The rest are not set in stone, and they are not rigid. In the past, we have found that many students take these numbers as gospel, so they never work outside of them. Remember, the numbers we have to work from are only estimates in the first place. You won't know the true profit potential until after you've been approved to sell and received a price list from the brand owner.

For example, let's say I was looking at a product and everything lined up except for the volume. It sells for \$33.99, it's not sold by Amazon, it's not private label, it has an estimated 40% ROI and a 20% profit margin, but our sales equity is only an estimated 37 units per month. Would I pass on this product because it falls below the 40 units per month threshold? No, after doing the math, this product is a fit for us. Those estimations tell me that I would be passing up on \$250 every month in profit.

Do you see how a higher price and profit margin can make up for lower sales volume? They are all relative and dependent upon each other to calculate your total estimated monthly profits. So, the key is that you don't want to work too far outside of our guidelines. You would still need to ask yourself if that product would be worth it to you, but again these are estimations and our first step is to simply acquire leads that appear profitable. So, that's the first lesson I want to stress in this video. We definitely recommend that you use our guidelines, but don't use them as hard-set rules. If a product is close enough in most of the metrics, do the math and see if the product is worthwhile.

Ideally, you want to carry products that have both a high profit margin and a high sell-through rate. You can easily target products that have a high volume of sales using our product analysis formula. But as we mentioned earlier, you aren't going to know a product's exact margins until you have been approved for the account and successfully negotiated your discount.

Also, not every account you are approved for will be profitable when you run the numbers. However, as you gain more experience and follow this course, you will learn strategies to cut costs; things like how to negotiate lower prices with the brand owner, or strategies to lower your shipping costs, or ways to save money on prepping costs. You will be able to go back to some of the first accounts you were approved for and discover ways to make them profitable after all. This is actually something that we do, and it has generated tens of thousands of dollars for us. In fact, it's been so fruitful, that it has been a recent addition to the course.

Your initial goal should be simple, start making money. Investing in products with lower margins is better than not investing in products at all. Growing capital is better than not. This business is a numbers game, so you have to play the numbers. Find as many profitable product leads as you can and go after them. As you grow your portfolio, you can replace worse products with better ones.

The next thing I want to cover is the types of brands you will be looking for while scouting. You already know that we did over 7 million dollars in sales on Amazon in 2016. So, would you be surprised if I told you we did that with less than 200 brands? Maybe not. But, I bet you would be surprised by the names of those brands. That's because most people have never heard of any of them. We sell hundreds of products that you've probably never seen or heard of. In fact, not a single one of our employees has ever recognized *any* of the brands we carry. That's because we aren't going after name brands and we don't recommend that you do either.

Generally, the larger the company, the harder it is to get an account. Name brands have big demand. Big demand requires a large amount of capital to purchase enough volume to keep up with that demand. High demand and competition can drive the selling price down, leaving less margin. Those competitors must typically be insanely efficient to drive their costs down low enough to still have an acceptable margin. Also, they can work on smaller margins because of the sheer number of total brands they sell.

While on the flip side, there are literally hundreds of thousands of small brands on Amazon that offer fantastic products. These are the brands we want to go after. They are established enough so that we can get guaranteed sales, but they still usually have plenty of room for improvement which we can help them with. So, I just want you to keep all of that in mind as we continue through the course.

Let's recap the major points we just covered:

- 1) Our product analysis guidelines are just that...they're guidelines. Be flexible with them and adapt them to your needs. Their purpose is to provide a baseline to help you analyze products efficiently and effectively. The only ones that are strict are products sold by Amazon and private label products.

2) Investing your capital in low margin products is better than not investing at all. Find as many profitable product leads as you can and go after them. If a lead appears to make an amount of money that you feel is worth your time, it's a good lead. Through experience, you will learn which leads makes the most sense for your needs and your business goals.

3) Don't scout name brand products. We built a multimillion-dollar business on brands most people have never heard of and we recommend you do the same.

Part two of this lesson can be found in module 5. In that video, we will show you how to best invest in the products available to you after you've landed a few wholesale accounts. You'll learn how to take into account product range influencers such as available capital, available capacity, processing costs, and your business goals to make sourcing decisions that yield the best returns possible.

In the next module, you will learn the exact same scouting strategies we use to look for awesome products. Amazon has millions and millions of products, so it can be difficult to know where to start looking. But don't worry, we have created systems that make finding profitable products super easy. In the meantime, it's important that you fully understand the lessons here in module 2. I recommend that you re-watch the lessons you aren't 100% clear on and practice analyzing products until you are completely comfortable with the process. That wraps it up for this video and for module 2. Thanks for watching and I'll see you in the next module.

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