

Product Sourcing 101.

A quick guide to finding profitable
products to sell online

xsellco

INTRODUCTION

There's never been a better time to be an online seller. Global e-commerce sales are projected to top \$4 trillion in 2020, according to eMarketer—that's almost double the estimates for 2017.

No matter what channel your business started out selling on, a multichannel strategy is key to capitalize on today's global e-commerce growth. After all, the more places you sell, the more buyers you reach. But it's not enough to simply be present on multiple platforms—your products need to resonate with consumers, too. That's why smart product research and sourcing will be critical to your future success.

Not sure where to start? Don't worry, you aren't alone. xSellco and Jungle Scout have teamed up to bring you a master guide full of useful tips for finding, validating and sourcing products for any online marketplace.

WHERE TO FIND TRENDING PRODUCTS

Looking to expand your offering but stuck for ideas? The internet is bursting at the seams with potential products that are ripe for the picking. Casually clicking around will only get you so far, so Jungle Scout CEO Greg Mercer has rounded up a list of his favorite places to find inspiration.

Reddit
Alibaba
Flippa
Alltop
Amazon
eBay

REFINE YOUR SELECTION

Before you dive headfirst into your product research, consider the following criteria that can help narrow down your options.

Is it shippable?

No matter what e-commerce channels you sell on, you're going to need to ship your product as safely and as inexpensively as possible. Greg looks for products that are durable, not oversized and unlikely to break.

Is it sourceable?

Your products will need to be manufactured or purchased wholesale, so you need to be able to find similar items on a website like Alibaba as a starting point.

Is it seasonal?

Greg keeps an eye out for items that may have high seasonality to figure out whether it makes good business sense to sell products that do not have year-round sales.

VALIDATE YOUR IDEA

BEFORE YOU WASTE TIME AND MONEY!

More than 30,000 consumer products launch every year and, according to Harvard Business School, 80 percent of them fail. In order to reduce the risk of investing in the wrong product, it's essential to dig deep into data to validate which ideas hold true potential.

1. Revisit your criteria

You will need to figure out how well products are selling and whether there is enough demand, as well as enough room in the market, to enter as a new seller. Some useful questions to ask:

- Is there sufficient demand?
- Are there competitors?
- Can you add value or bring something new to the market?

2. Use Amazon sales history as a benchmark

One way to validate your ideas is to use real Amazon data to project the estimated sales a product will get each month.

Even if Amazon isn't one of the channels you sell on, it remains the largest and fastest growing online marketplace, surpassing even Walmart in recent years. To that end, you can gain insight into the demand and opportunity of any product idea by simply looking at the sales of similar products on Amazon.

Jungle Scout offers a Chrome extension that allows you to do this at the click of a button as you browse any Amazon marketplace. In addition, you can use the extension—as well as the web app's product database—to search the site using smart filters to find out what sells and where hidden opportunities are. Jungle Scout also offers a free estimator tool, which enables you to pick a product category, enter a product rank and get quick-fire estimates on monthly sales data.

How do you know if you have a good idea?

It depends on your niche and the channels you intend to sell in. For instance, when Greg is picking a product to sell on Amazon, he likes to see top products shifting around 300 to 400 units per month per seller.

The reason: to estimate how many sales he can expect to get each month and how profitable the product will be.

3. Calculate your potential profit margin

Even if your product idea has ticked all the boxes so far, you still need to know how profitable it's going to be. Here are some points to consider:

- How much can you expect to pay for the product?
- If sourcing abroad, what will you need to pay to import your inventory?
- How much will the product cost to ship to customers?
- Are there any other costs involved?
- If using a service like Amazon FBA, what will the fees be?
- If running your own warehouse operation, what are your running costs, and how does this break down to your product?

You need to have some ballpark estimates in terms of your overall expenses and projected revenue. All things considered, how much profit margin does this leave you? And does that profit margin leave you with enough room to pay for any extras, such as paid advertising?

4. Check out the competition

While narrowing down your product ideas to the ones you want to introduce to your business, it's important to properly evaluate your competitors: who they are, what they offer and how you compare will be critical to the success of your next venture.

A Google search is a no-brainer. This will also allow you to see what e-commerce channels are ranking well for similar products in the top results, which in turn will help you decide on the best launch strategies if you decide to move forward with that product.

Beyond Google, there are several paid tools that could be useful to add to your marketing toolkit. Ahrefs, an organic search traffic and backlink analysis tool, features a keyword explorer that allows you to see which websites rank best for keywords related to your product, which countries they are popular in and more.

eBay's DataLabs is another good tool to check out. See what's trending in real time in the US, UK, Germany and Australia, as well as popular keywords, best sellers and the value of items bought and sold in specific categories in the last 30, 60 and 90 days

PRO TIP

"I am a firm believer that if you spend a good 40-plus hours on product research, you will be off to a great start. The early investment will reap many benefits and set you up to sell products in a multichannel e-commerce world."

GREG MERCER

HOW TO FIND SUPPLIERS

“You need to find someone that you trust, that you like and that is willing to be a strong partner for the long term.”

That's not advice pulled from an agony aunt column—it's a quote from sourcing expert Gary Huang of 80/20 Sourcing during one of Jungle Scout's recent "Million Dollar Case Study" webinars, when he likened finding a supplier to finding a spouse. And it's especially true for multichannel sellers.

HOW TO FIND SUPPLIERS

1. Alibaba

Besides Amazon, Chinese e-commerce giant Alibaba is an obvious place to search—particularly if you are getting your products manufactured in China.

Head to Alibaba.com, enter a top keyword for the product you wish to source, select “Suppliers” from the drop-down menu and hit “Search.” You’ll most likely be presented with thousands of results but you can narrow it down to only show suppliers from countries you are interested in sourcing from.

See one that tickles your fancy? Click through to its company profile tab and you can see when it was established, the markets it currently sells in and any certifications it’s received. It’s also important to check out how many related products the supplier makes so you can dig into its specialities and see whether it’s a good fit for you.

Once you find suppliers that show some potential, you can use the “Favorites” feature within Alibaba to create a list of them for later.

2. Global Sources

Another good website for sourcing suppliers in China is Global Sources. It’s similar to Alibaba in terms of navigation but claims to be more reliable when it comes to verifying exporters. It offers credit-check and supplier-capability-assessment services that provide information such as company status, production capabilities and product quality.

Global Sources also has China Sourcing Reports—in-depth studies focused on specific sourcing industries—which include qualified suppliers, verified contact details, top-selling products and pricing.

3. Supplier outreach

Building a list of suppliers is one thing—speaking to them is a whole other ballgame. If you are using Alibaba, its internal messaging system is pretty intuitive. Otherwise, you can email suppliers directly.

Here's a real-life example of an email template that Greg used for baby hooded towels for a Million Dollar Case Study:

Hi there,

My name is Greg from Jungle Creations. We are looking to purchase baby hooded towels for the US market. See attached photos. Our primary sales channels will be online. We estimate up to 20,000 to 30,000 pcs annual purchase volume after a trial order of 500 sets and samples evaluation.

Specifications:

- *Size - 34in x 34in (92cm x 92cm)*
- *Hood should have "ears"*
- *Material: 100% Bamboo, organic preferred*
- *Quality: high thread count and very soft*
- *No loose threads*
- *Color: white, no dyes*

Do you manufacture these types of bamboo baby towels with hood? If so, please provide the following:

- 1) Photo, Specifications and EXW Quotation*
- 2) Are you a manufacturer or trading company?*
- 3) What is your lead time for samples and trial order?*
- 4) Can we add our logo to this item? If so, where?*
- 5) What is the sample cost with shipping by express to USA?*

Appreciate your reply. Thank you.

Greg Mercer

Here are some top tips to take away when creating your supplier outreach:

- Keep it as concise and simple as possible.
- Ask all the questions you know you need the answers to.
- Ensure to get some rough indicators on production times and costs.
- Be friendly, but professional.
- If you are a new business, don't disclose that information—make sure the supplier knows that your product is going to be a best-seller.
- Include email attachments to help illustrate your request.

4. Trade shows

To find trade shows relevant to your product idea, check out 10times.org, fita.org or expodatabase.com. Attending a show will help you get a feel for availability and market trends—and it's also an opportunity to scope out the competition.

Interested in meeting Chinese suppliers? Greg suggests The Canton Fair (also known as China Import and Export Fair), which takes place twice a year in Guangzhou and is the country's biggest trade fair. If you can't make it to China, find a big show closer to home that the large Chinese manufacturers attend.

Working in fashion and want to source from European suppliers? Or maybe you're an American business looking to instill quality by manufacturing in the US? The internet is a veritable treasure trove to find suitable suppliers to reach out to. Maker's Row, for example, is a great place to find American-made products.

A good supplier will have all the following qualities:

- Good communication and language skills.
- Experience in your niche and the capabilities to produce your product.
- Willing to go the extra mile to manufacture the exact spec you want.
- Comfortably within your price range.
- Cooperative and eager to start a partnership.

Meanwhile, the following signs are red flags:

- Hasn't been in business for very long.
- No experience with your product type.
- Pricing that is far too high or too low.
- Not very responsive or cooperative.

KEY TAKEAWAYS

- **Always do your research**
This will ensure you start strong with a profitable product and minimize the risk involved with investing in physical products.
- **Rely on tried-and-tested criteria and solid data to validate your research**
It's important to double-check your assumptions. Back up your research with real sales data and competitor research as thoroughly as possible using the tools provided.
- **Seek to build strong and lasting relationships with experienced sellers**
This will set you up for long-term success.

WHAT'S NEXT

Once you know you have a viable product idea that can become a profitable part of your business, it's time to take a look at the customer experience.

xSellco can help you gain an edge by enabling you to manage large volumes of customer support for all your marketplaces, online stores and social channels in one place.

Our simple connected dashboard puts all the information you need at your fingertips, so you can send fast, personalized responses in double-quick time.

Sign up for a 14-day trial today and support better with the help desk built for e-commerce.

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