Retail & Online Arbitrage

By Arlene McGuirk
Amazon’s sales for 2014 were 88.99 billion dollars. Up from 74.55 billion dollars for 2013. The reason that their sales have increased so dramatically year after year, is because they focus on the customer experience. They have differentiated themselves from the rest of the marketplace because they focus on the entire experience beginning with anticipating sales through their new devices (echo), and now their latest dash button.

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Amazon Echo

Key Features

Amazon Dash-scans the UPC’s in the home to reorder.
With the simple touch of a button (synched to your phone), you can reportedly, have your favorite staple brands delivered to your home in 2 days. Even though Amazon is working out the kinks with this type of ordering system. Their overall idea is for the consumer to be able to order instantaneously, by pushing a button located right next to the product before they run out, and without even leaving their home Amazon is hoping to eliminate any competition.

Amazon understands that the American public is looking more ways to uncomplicated their lives. They are looking for speed and convenience. They are also looking for value. Whether they are looking for diapers, or milk, or a birthday present they forgot to buy and send across country, they are all looking for a type of instant gratification. They are brand loyal and they might not be able to find what they want in their area or region. They don’t have the time to go from store to store or site to site looking for it. They want it yesterday. Does it cost more? Yes. But they are willing to pay for that convenience and the extra piece of mind.

With this in mind, it is the perfect opportunity for those that are learning and actively doing private label, to broaden their portfolios and horizons by learning online and retail arbitrage. Understanding the retail and online markets is a valuable tool when doing private label as you will better understand trends and curves in the market, and gain insight into
which products would possibly be better to private label, and which ones to avoid.

The concept of online or retail arbitrage is an easy one. Buy low and sell high. You do not need to create listings most of the time, as the products are already selling on Amazon. You want to buy good ranking products for as low as you can get them. People locate products in numerous ways. Sellers might have access to relatives in stores or companies with discounts, or have discounts through their jobs, or just need to source locally, online, or through wholesalers. Some people source by going to garage sales, flea markets, auctions, and bankruptcy sales, all of which sell brand new items. Most people source at the major chain stores as in Walmart, Target, Marshall’s, Macy’s, Kmart, etc. What major department stores and specialty stores varies from region to region, you have to investigate the resources you have within your reach.

Seller’s frequently become members of sales and rebate sites such as fatwallet.com, slick deals.com, ebates.com, etc., to receive notifications of sales, or coupons codes to get a further percentage off, and a rebate percentage back on their purchase. Whichever way you obtain your inventory, my recommendation is that you send it in through Fulfillment By Amazon (FBA) right away. Do not have money spent on inventory sitting in your home, as it is not making you any profit. Also I would not use the Seller’s App to list items, until you are familiar enough with the Seller Central dashboard on your computer. The App can sometimes be finicky and not behave correctly, or simply take forever depending on many factors including signal strength. You don’t want multiple listings appearing for the same product, as Amazon does not allow multiple listings, and you do’t want to be penalized for anything when you are just starting out.
What is needed for online or retail arbitrage? Not much. As a beginner, you don’t need more than your smart phone and a few applications on it. To start with you should have already signed up for an Amazon seller’s account, and downloaded the Amazon Seller’s App (the black one). In addition, you will also need to download the main Amazon Buyer’s App (the white one). At this point in time you can just begin scanning items in order to become familiar with the information that the App is returning. Understand however that no application is perfect or 100%. They all have disparity regarding the information that they return, including Amazon’s apps. Many times I have scanned items, and the answer the app has given me, tells me that the product is not for sale on Amazon. But, when I plug the same information into the Amazon buyers app, the information appears. When this happens, grab the ASIN number from the buyers app, and paste it into the seller’s app in order to get the information that you need regarding the profit, amount of sellers, FBA status, and whether Amazon itself is on the listing or not.

You would obviously focus on products that have as few sellers as possible, and preferably avoid listing where Amazon itself is the main seller as they are quite hard to compete with. However there are rare occasions when you may find a product through a closeout, auction, or clearance sale where it may be totally possible to compete directly with Amazon.

The seller’s App will give you the rank and reviews of any given product. Obviously, you are going to want to look for items with a low rank (lower is better) and large amount of reviews. A low rank with a large amount of reviews would indicate that this is a strong selling product that is selling relatively quickly. Products that do not have a fair
amount of reviews and a very high ranking most of the time should be avoided in the beginning, as the product may sell slowly, or not at all.

**Browser extensions**

Camel's extension show price history as well as rank status, last recorded rank, and allows you to set price watches or alerts for products. This could be your products, your competitors, or simply items that you are interested in buying for yourself. When looking at the rank status, each upward spike on the graph is estimated to be a sale. When on an Amazon product page, I do not always find this to be very accurate, as I have been finding large differences when I check the same status directly on their website. I find that the data is much more solid when using the main site via computer or phone.

![Camel data graph](image)

What is key is understanding how to read the information. Each upward spike reportedly represents a sale.
Being able to tell whether the product (OA/RA/PL) is moving well in the market, will aide you choosing your right product. It doesn’t matter which way you plan on selling your product, or even if you are selling your product in all formats, you want products that are selling and render a profit. You do not want to invest money into products and then be stuck with dead inventory on your hands. Camel also allows you to set price alerts and follow any products sold on Amazon. They also list the top price drops of the day, and popular categories

Keepa has recently upgraded and is attempting to function more like Camel does. I personally do not find the information that pops up using the extension to be fully accurate. But you are able to see the price history chart, price history charts, availability alerts directly on the Amazon product page, as well as daily drops.

The Tractor Price is another extension that allows you to check pricing, set alerts, and follow recent price drops. This extension will open up actually on the Amazon product page. Again, I do not find all of these extensions to provide the best information when compared with the working website.

Using these extensions can be helpful, but I rely on manually reviewing the data on any interesting product to reduce the chance of investing money on ineffective or nonmoving products.
Sourcing Programs & Scanning Apps

There are a few programs on the market to assist you with searching for products. You should take a look at each program, as you have to decide what works for you. What works for you might not work for the next person. In addition some of these programs provide other features, as in performing large data searches, handling inventory and listing, as well as your bookkeeping.

Profit Bandit. Profit bandit is the most affordable at 10.00/month. It allows you to scan, perform a manual search, the Buy box, Ebay, Camel info, profit info and can be connected to a scanning device for quicker scans. what I find different here is that this App provides restricted category information which the other apps do not provide. The app scans well, but I find the information to be quirky and all over the place at times. This is why you want to have the Amazon buyers app on your phone, for the times that you need to review the information manually.

****Restricted item notification