



SPI 266

How to Start Selling on Amazon with Ryan and Nick from Online Selling Experiment

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Pat: This is the Smart Passive Income podcast with Pat Flynn, session number 266. Wait for it. Wait for it. Go.

Announcer: Welcome to the Smart Passive Income podcast where it's all about working hard now so you can sit back and reap the benefits later. And now your host . . . If he could have a drink with one historical person, it would be Benjamin Franklin . . . Pat Flynn.

Pat: Hey guys. What's up? Pat Flynn here. Thank you so much for joining me today and fun fact, I'm rerecording this intro three times. The first two times, I sat down, I felt kind of tired, like no energy, right? This time, I'm standing up and this is a strategy that I always share with people. Hey, if you are lacking energy, especially if you're podcasting or using your voice in anyway, just stand up. It changes everything. Hopefully you can feel the energy right now because I'm so excited for this episode. Why? Because we are bringing back a topic that was extremely popular the last time I talked about this, and it's been a long time actually. All the way back in episode 99, where I brought on Cliff and Jessica Larrew to talk about something called Amazon FBA.

What does FBA stand for? Well, that means fulfilled by Amazon. Essentially what can happen is if you have a product to sell, like a physical product, you can ship those products in bulk to Amazon and Amazon will sell them for you, right? It's sort of like eBay. It's listed on Amazon but what's really cool is Amazon FBA, when a person purchases that product of yours, it's already in the warehouse. You ship your items to wherever Amazon tells you to ship them to and then when a customer purchases them, they handle the fulfillment. They handle the customer service. All of it. All you have to do is just see your payments come through after you've shipped it to them because they are the ones doing the fulfillment.

Of course, there's fees that go along with that and whatnot, but saves a lot of pain in terms of having to do that yourself. But the thing is, with episode 99, with Jessica and Cliff, they weren't selling products that they were creating themselves. They were selling products that they were finding on the clearance aisles of big box

retailers like Target and Wal-Mart, Best Buy and others and reselling those through Amazon, brand new, not used, and making a profit.

How much profit? They were making over \$100,000 a year in profit. This is a six figure business doing this, right? It's insane, right? How does it work? There's apps that you use to scan items when you're there and just, if the math checks out, you ship them to Amazon. Of course there's a lot more to that, but I'm going to take my own advice and say, "Well, you know what, Pat? If a topic is popular on your site, or on your podcast, it's worth bringing back again and just diving into it even more." So that's exactly what this episode is about today.

This is a term they call retail arbitrage. Going to these places, buying items, and reselling them on Amazon for profit. Why would people buy them? Because people don't have access to them, right? We pay a lot more on Amazon to get it shipped directly to our door, and it saves us time and money. That's why people do this, but the reason why I wanted to bring this back is because a lot of people have been curious about, "Okay. Well, how can I just get started? What's something small I can do just to see if I can actually make a little bit of money on my own?" That's why I invited Ryan and Nick from OnlineSellingExperiment.com. They've been doing this for years now. They've helped me through the process because, yeah, I actually wanted to see if this worked.

Immediately after this interview, the one that I'm about to play for you, I started doing this thing, and you'll get the steps along the way, and I'll share the results with you after the episode but . . . Hey, you know what? I'm actually really impressed with how it is. Now, it's not something I'm going to be doing full time or anything like that, but it is actually producing a little bit of an additional side income.

Now, it's not completely passive, unless you were to hire people, kind of like what Ryan and Nick do. They have employees that find these products for them and then . . . It's a really cool thing they've built. I have also asked them questions because since episode 99, a few people have expressed concerns about certain elements of this kind of business and warnings and things to look out for. We cover

the whole gamut here. Let's just stop listening to me, and we'll start listening them. Let's just get right into that interview with Ryan and Nick from OnlineSellingExperiment.com. Also, make sure you stick around to the end because they have a fun challenge for you related to this that has a giveaway that go along with it. Here it is.

Alright. What's up SPI? I'm so excited to invite Ryan and Nick from OnlineSellingExperiment.com. Two awesome guys. Very humble, very smart, who I've met in person a couple times when I've been to a couple conferences. Ryan, Nick, welcome to the show. Thanks for being here.

Nick: Thanks for having us, Pat. Great to be here.

Ryan: Yeah. Super excited. Thanks, Pat.

Pat: Ryan, why don't we start with you really quick? Talk about the origin of Online Selling Experiment and what that website really does for people.

Ryan: Yeah, definitely. That website was born when I decided to quit my job as a full time accountant and wanted to pursue making a full time income selling online, primarily on Amazon and eBay at the time that I quit my job. This was back in September of 2013. I was working as an accountant at a large accounting firm in downtown Minneapolis. I'd be there for about a year and nine months, and it just really wasn't what I wanted to be doing with my life. It was the path that I was on for a long time, and it just was starting to eat at me, and I wanted to try having my own business and doing something a little BIT non-traditional and be on my own terms, have some freedom.

I decided to quit that job and try to make an income selling online on Amazon, and then that site was born as a way to document my journey from the full time job to selling on Amazon. For about the first 21 months that I was selling online, I documented income reports, similar to as you do on SPI. I borrowed that idea from you, so I appreciate that. That allowed people to follow along with

my progress from starting at, basically, close to nothing and then growing it into something much bigger and having that documented all along the way. I documented my financial results, and then also shared different tips and tricks to help other people get started on Amazon, help them see results. That's the two-minute version of how that site got started.

Pat: Cool, well thank you for that run down. We've had a few guests in the past talk about Amazon and FBA, everything from people setting up their own shops versus people selling just products they find in and around their town and that sort of thing. Before we get into the business model and how one might get started with this, Nick, I'd love to know your origin story related to Online Selling Experiments. When did you come onboard, and how did that relationship start?

Nick: Sure, yeah. I met Ryan Grant back in college, Winona State University in southern Minnesota. We graduated in 2011. Obviously, Ryan went and did that accounting position he was talking about just a minute ago. I went a little bit of a different route. I graduated with a degree in finance and went to go work for a few investment firms in downtown Minneapolis for three or four years. I thought that's what I wanted to do. I thought I wanted to be involved in mutual funds and stocks and all that sort of thing, but I never really found my passion. I was helping Ryan on the side for about six months. We were doing some textbook stuff at the time, it's grown a lot since that point, but I was helping him for about six months. I made a career change after I was . . . Well, I was still working downtown at one of the investment firms. I changed to a different one. Things didn't go so well, and I actually got fired from that job. We didn't see eye to eye, that's for sure. On my way home that evening, I was thinking about what I'd been doing on the side with Ryan and trying something different. I'm pretty risk-averse, so starting my own business isn't something I would typically do if I wasn't pushed in that direction and this gave me that opportunity to do that.

Actually, on the way home, I called Ryan and asked him if it was something that he would consider. At the time he was just one

person working in northeast Minneapolis. He'd just gotten a warehouse. I know he was working by himself. I was interested to give it a go. He was looking for, I think, someone to come on at that time. It worked out actually, really, really well. That's kind of the origin story. A little messy, I guess, but it worked out pretty well.

Pat: I like it. Nice. Ryan, going back to you. Tell us even before Nick came on . . . I mean, by the time Nick came on he said you had a warehouse already. I want to rewind all the way back to the first things you started to do. You said you had eBay and were doing things on Amazon. How did you even know where to start and what kinds of things were you selling at that point?

Ryan: Sure. If we rewind even a little bit further back than when I quit my full time job, back in college, me and a couple friends did, basically, textbook buy backs from other students. We would buy textbooks from other students and then sell them on Amazon. We'd pay more than the bookstore was offering and then still be able to sell them for something that would allow us to make a profit. That started just expanding from selling my own books on Amazon to selling other peoples' books as well.

Pat: I see.

Ryan: That was my first experience with Amazon. I did have a little bit of experience on Amazon prior to even quitting my job. I had a decent idea that it would work. I wasn't making anywhere near the amount I was making at my job from Amazon, but it was something that I was confident I could make a go of if I dedicated full time hours to.

If we jump back forward to September of 2013 when I quit my job and it's just me, I was starting pretty much from square one and I would buy items in retail stores and thrift stores. In thrift stores, I would mainly buy items for eBay, as that typically is the marketplace that is better for used items and allows you to do . . . You can sell more random things and make money. Then I would buy items in retail stores to sell on Amazon. I would literally go out to the stores pretty much everyday and see what I could find that I could make a profit on.

I kept doing that for about a year. From about September of 2013 to September of 2014. It was mainly just me. Nick was helping me on the side, and then a couple other people would go out to the stores for me and help me buy product, but for the most part it was me doing all of the buying, of the inventory and then I would ship all of that inventory to Amazon or to customers, depending on which fulfillment method we were using at the time.

Pat: I got it. Okay, so to be clear, you were purchasing products and then sending them to Amazon. Amazon stores them in their warehouse, and then when an order is placed, Amazon handles the fulfillment. Is that the basic overview of how the system works?

Ryan: Exactly, yep. We're using the FBA, or the fulfillment by Amazon program. We ship it there, they take care of the rest.

Pat: Okay. Now Nick, answer this question for me. Who is this business model for and who is it not for? I'd love to get an idea from the experts, you guys, to share with everybody else listening. Who might this kind of business model be right for and who shouldn't actually be going down this route?

Nick: Yeah. I mean, it's an interesting question. Maybe Ryan could add to this as well, but who it's right for, I think it's right for people that are willing to, or wanting to, I guess I should say, call their own shots, create a lifestyle business or something that they want freedom of time, schedule, things of that nature. I think that's pretty close to what Ryan was aiming for back in the day as well. It's for people that are looking for flexibility in their lives. I think it's also for people that are willing to work hard, though. It doesn't come super easy, especially in the beginning. Anybody that wants to be a business owner, it requires somebody who's serious, someone who is persistent, all of those things, that has patience. It's for people who are really looking to succeed.

Yeah, I think and people this isn't for, it's really a business no different than any other business. Right? If you're super risk-averse, if you're nervous about not making your mortgage payments or

your rent payments, if there's . . . All sorts of considerations. But it's really no different than . . . I mean, this business, to me, is similar to any other business. It's just on the back of some of these other platforms, like Amazon, Jet, etc., eBay, etc. I guess that would be my two cents on that. I don't know if . . . Ryan, you have anything else?

Ryan: I'd just say it's not for someone who's looking to have 100% passive business from the start. It's not like creating a website where it can create income whether or not you're involved in the business. You are able to buy the items and then ship them to Amazon, and then you're basically done with the process, but it's not to the same point as like a website. You have to be willing to put in some work. I'd say it's not for the people who are looking to be able to be 100% location independent and things like that where you want just a website. If you're willing to put in the time upfront, there's ways you can get it to be where you're location independent, but you definitely have to put in the work on the front end.

Pat: Now I'm also thinking, is this something that can be done "behind the scenes" instead of building a website and having to be a personality who's pumping content out all the time? Who's interacting with people, necessarily, which I know some people are scared of. Would this be a good potential option for them because it can be done on one zone time and just by yourself?

Ryan: Definitely. I think it's a great option for anyone that's got those motivations that you just mentioned or that's just looking to get their feet wet and get some business experience. It's going to apply in a lot of different ways. You learn a lot about the Amazon process. You learn about the accounting side of things, how the numbers work, making sure that you're investing money in a way that you're going to get a return on your investments. It really applies to a lot of different ways. Just because you start selling on Amazon today doesn't mean it won't lead into something much different in the future.

Pat: Right. Okay, so Nick, I am interested in going down this route, hypothetical, and I want to just make sure that this is something that I am able to do. What kind of investment would I need to make

upfront in order to just even give this thing a shot? Is this something I have to dedicate tens of thousands of dollars to to get started? Or can I get started on a smaller level? And if so, what would that be?

Nick:

Sure. Yeah, no. It's definitely not tens of thousands of dollars. You can get started for, what we would recommend, is probably something in the \$200 ballpark to spend on inventory. That's something that if you can purchase \$200 worth of stuff and start to see it sell, this is something that you can start to scale and reinvest the profits back into the business and grow from there. It actually requires very little capital upfront in order to get started. If you're using credit cards and things of that nature, you can essentially not have any of the cash today and you can start. It's definitely, from a cost perspective, it's a business that you can scale from next to nothing.

Pat:

Okay, and . . . Excuse me. Ryan, if I want to start and I have a couple hundred bucks to invest, where would I even start? Do I go literally to the store down the street and just look around? We've talked about this in previous episodes before, which can work, but is there a different approach? Is there a research involved before even putting that money down somewhere?

Ryan:

Yeah. I do think the best way to get started, just to get your feet wet and learn more about the process, is in retail stores. At least in local stores or potentially with items you have around the house, and then you can really learn about the process of what it takes to sell on Amazon. You can learn how to ship the items to them, what the numbers look like, what the fees look like and really get an understanding. That's really how we started, and then what that can lead into, just so people have an idea of where that can lead, is now we have people who go out to retail stores for us and buy. We have relationships with manufacturers and distributors where we buy items in bulk from them. They ship pallets of products to our location. We buy products at online websites.

Just because it starts at a retail store and that doesn't sound like something that's sexy or even scalable, it's a good way to get into the process and really learn how things work, and then you can

branch out from there if you decide, after doing a quick test, if that's something that you'd like to pursue further.

Pat: Nick, in terms of what to buy, I could go to the store and just . . . There's a kajillion different things that I could purchase. Where do you go? How do you attract yourself to what?

Nick: Yeah. I think Ryan may have touched on it earlier, but I think there's a few different places you can definitely get started. Some big name box stores, actually, are some places that you can start. Wal-Mart, Toys "R" Us, K-Mart, Target, things of that nature. You can actually go in, and I recommend starting in the clearance section or clearance end caps, and basically you just scan items with the Amazon seller app. And you can start to see some of the data points that you would need to make a purchase. You can start to see sales rank, which tells you basically . . . It's basically the only metric that Amazon gives you to tell you how fast or if you should be able to expect a sale from an item. You can see the price that it's selling for and then compare that against the price on the item and determine, basically, what return on investment you would be getting.

You can start to make some decisions very easily in big box stores, basically, by just looking at clearance items, are probably your best bet when you're just getting started. From there, it can branch out to other areas of those stores and yeah. That's a good place to start.

Pat: Okay, when we interviewed Jessica and Cliff over at the SellingFamily.com, episode 99, a lot of people actually did do that and did very well. But then I know some people who did that and they're like, "Okay, that's cool. I made a few bucks here and there, but I don't really see the scaling very much." How would you go about, Ryan, scaling that, and at what point should you do that? I can imagine at first, okay, you're just storing these things in your own home, right? But as soon as you start to see some income, these scales, correct me if I'm wrong, comes from just more. Buying more and selling more, but then of course you start to get into inventory. How do you begin to manage that second phase of the process at that point?

Ryan: Sure. We'll go into how and then touch on when. In terms of how to get someone to do this process for you, go out to the stores and buy items for you, the first thing that I would recommend doing is just, more or less, document exactly what process that you're doing. The reality is retail hours or going into retail stores and buying items to resell isn't rocket science. It's a fairly simple process. You have to have someone who's willing to do it and then learn along the way, but to get started it's fairly simple.

What I would do is figure out what buying guidelines you would like to give to someone who went to stores for you. What I mean by that is, what sales rank are you looking for, and what return on investment are you looking for on any item that they scan? Then you tell them, based on those metrics, whether they should buy that item, whether they should buy ten of that item. You give them those guidelines, and then you also tell them which sections of the store to go into. Whether that's the clearance section at Home Depot or the clearance end caps at Target, you tell them specifically which parts of the store to go to, and then you have them scan all of those items on clearance. And then they use the buying guidelines to be able to purchase items that fit what return on investment you are looking for.

That's how I would get started, and that a model that we use today. We pay our team members based on a percentage of either how much they spend, or sometimes we'll do a fixed dollar amount too. It just depends on what the motivations of the individual are, and then we'll base something off of that.

Pat: And then in terms of when to scale, when would someone make the decision to do that? Yeah.

Ryan: Right. A lot of people, it comes at one of two times. Either when you have more money available than you're able to spend on inventory that you have available in the business that you can't spend on your own, that is a great time. The other option, which I prefer, and this is the angle that I've taken is, as soon as you're comfortable with it. Once you know you have a process that works that brings in

items that are consistently profitable and are good for the business, as soon as you feel comfortable with that, that's the time to bring someone on, assuming you have the cash available. That's the way I like to look at it because that's the way to scale fastest.

If you truly look at it from a business perspective and like you're trying to build a business from the beginning, it makes sense to bring someone on as soon as you have a consistent process that gets proven results, as opposed to just maxing out your individual time and then bringing someone on from there when you can't handle it yourself. Either option can work. It's just a matter of knowing whether you want an income for yourself or if you want to grow a team and figuring out where you want to take the business.

Pat:

Yeah, man. I can see this being a really cool thing to maybe just start off with at a small dollar level and if you have kids have them be part of the process. I can imagine my son and I going to the store, my daughter too, obviously, and picking things out and putting it up online and getting excited when sales are made. It'd be kind of fun to experiment with this again.

Actually, after the last time we talked about this on the show, I went to Best Buy and I purchased these headphones that were sport teams branded that were in the clearance aisle for 19.99, and I used my app, the Amazon seller app, or I think it was actually a different one back then. Profit Bandit or something. I don't remember what it was called, but I put them on Amazon. I had to ship them to them, so it did take some manual labor. I think that's another thing that people need to realize about this process is, especially when you're just starting out. You're going to have to ship things out and go to the post office, which does take time, and things like that. But then I had a few sales. I think I profited 32 bucks with just an hour's work of doing all that stuff at the same time. You can imagine just starting to add zeros in there. Okay, 10 hours of work. \$320 and just scale it up from there. I think it would be a fun thing to do. The question that comes to mind though is, Nick, we'll give this one to you . . .

Nick:

Sure.

- Pat: That is, in terms of creating this as a real business, I think mentally at some point, someone has to make that decision if they do want to scale that this is what they're going to do. How does one wrap around the fact that this is turning it from a hobby side thing to more of a full time thing, mentally? I think there's a lot of things that go into that question, obviously . . .
- Nick: Yeah.
- Pat: . . . like the drive to take time away from other things and put it towards this. Also feedback from others who might be noticing that you're making money this way and how one would respond if somebody said, "Oh, you're not doing a real business." How would you respond to that?
- Nick: Yeah, it's an interesting question. I think, for me, I've just always taken it serious. If you take it serious and you treat it like it's a real full time business, then that's what you end up having. I think people like to put labels on things, and here we are, Ryan and I, building a business, and there's no two ways about it. It's interesting because when we talk about, and we're talking about the clearance section, people think, "This is a small thing. I'll sell a few items, make a few dollars." It does take skill, and it does take talent to build it out and grow a team and do those types of thing. For example, in 2015, 2016, correct me if I'm wrong Ryan, but we've done well over a million dollars in sales for the last two years.
- Ryan: Each year.
- Nick: Each year, yeah, and it continues to grow every year. That's because we've treated it like a full time business. I get up every single day and go into work, and I'm excited to do it and build it, and I treat it like it's something that is what it is. It can grow from doing the clearance aisle thing to then working directly with manufacturers and buying products via a more traditional method in wholesale. That's what we do now. We still do the retail thing, but we purchase products on a much, much, much larger scale with a much higher dollar cost, in terms of orders. But yeah. We've scaled it to the point

where it's not just the onesie, twosie type thing coming in the retail store. It's a full-fledged business where we're receiving pallets and having semis drop off products every week.

Pat: That's crazy.

Nick: It's grown a lot.

Pat: What is your warehouse like? Like how big is it at this point?

Ryan: Right now we have two smaller spaces that we work out of. They're both actually right around 725 square feet. One's mainly an office area for our team, and then the other is our processing space. We bring all the items in there and then we'll ship them back out to fulfillment by Amazon warehouses. We're currently in the process of looking for a bigger space. We probably need right around 2500 to 3000 square feet and we're hoping to move into that within . . . Well, for sure before the end of 2017.

Pat: Yeah, that's cool. That's awesome. Nick, going back to you, what's the most exciting thing about this kind of business that you've come across? Why do you love it so much?

Nick: Yeah. I enjoy the hunt for products. I enjoy it a lot. I think for me, it's finding and building what used to be just finding and building products and basically bringing those in. Now actually building relationship with different brands, different manufacturers. I think it's just super fun to be able to work on a larger scale and build out a team. I think it's been super rewarding to build a business, bring people in, have them buy into the vision and help you build something special.

Pat: Yeah that's cool. Same question for you, Ryan.

Ryan: Yeah, I think the most exciting thing for me is just being able to put processes in place and know what the outcome is going to be. If you keep putting the right inputs into the process, you get the right outputs. We've systematized most everything in the business so

that it can be done by different team members. Then one of the things we started about a year and a half ago too was doing some consulting for people that are looking to sell on Amazon, and we've seen some really good results with that, and that's been really exciting too, to be able to help people build a business and make an income in a way that they weren't able to before. The combination of just seeing the processes work and then being able to help people build businesses, those are the most exciting things for me.

Pat: That's cool. Yeah, I agree with both you guys. I think if I were to go down this path, the hunt, for sure, would be pretty fun and incredible. That's something I've always been interested in. I get my fill for that online searching for things, but I think going in person somewhere would be cool, especially with the app in hand and maybe that next product you scan could be the one that really takes off. But also just the systemizing things, I love that.

I do have a question. I don't know who would be best to answer this, but it's related to more of the mistakes that people make when they get into this kind of thing. What are some of those mistakes? Is there anything to look out for or be aware of? Or is it really just a perfect business model that you put into place and everything works out great?

Nick: Yeah, it's not quite that perfect. You might be painting a little bit too rosy of a picture. Yeah, there's definitely some pitfalls for people to be aware of right away. I think a couple of the biggest ones that can get you into trouble are either not knowing Amazon's rules . . . If you break Amazon's rules, they have no mercy. They have millions of sellers on their platform. If you disappear, it's not going to hurt their bottom line at all. Reading through and making sure you're following their guidelines, making sure you're listing your products in the proper condition, and just following their rules, that's a big thing that people sometimes don't understand. Especially if they're transitioning from a platform like eBay and then selling on Amazon, the rules are much different on the two platforms. Understanding the rules is a big one.

Then another common one that I see is not knowing the numbers on the product. With the information that's out there, with the scanning app, the Amazon seller app, that's free for iPhone or Android, it's directly from Amazon. You can look up any item for sale on Amazon with that app, and it's going to show you exactly how much it's going to cost you in fees to sell that item at the current selling prices. I see a lot of people that buy items and they'll sell it, and then they actually lose money and they're not exactly sure why. They understand after the fact, but if they would've looked up the selling price of the item, ran it through the fee calculator on the app and then did a quick calculation to see if they make a profit on the item, then they would know if it was profitable or not. I'd say not knowing the numbers is one of the biggest other mistakes that I see early on.

Pat: Obviously there are fees in Amazon must take a chunk of the money as a result from the sales, right? What is that top that they're taking off? And then also, are there any . . . The one thing that comes to mind is we're shipping them all this stuff, they have to charge for that as well, right? What are those fees like?

Ryan: The fees are semi-expensive, but they're worth it. They charge commission on the sale, so that's going to get charged whether you're selling via fulfillment by Amazon or if you're shipping it yourself. That's typically between about 10 and 15% of the sales value of the item. Then the fulfillment fees are going to, typically, be between about four and \$10 an item, depending on the size and weight of the item. You're also responsible for the shipping cost to get your items to Amazon warehouses. You'll pay storage costs when the items are in Amazon warehouses, and then you pay some other miscellaneous fees.

We see, on average, that fees break out to about 25 to 35% of our sale prices. If we sell an item for \$100, we're going to pay about 25 to \$35 in fees, and then we'll take home the remainder. But the key thing with the fees to understand, in my opinion, is it's not so much the fees that matter, it's the net pay out that you get from Amazon, the amount that you get after the fees. That number's always known in advance before you purchase an item. You can

always know that how much you're going to get after the fees. If you make a profit on the amount that's after the fees, then it's still an item worth purchasing, even if Amazon's making, what you feel, is a crazy amount in fees. The fees are high, but the opportunity to reach millions of Amazon's customers is something that's somewhat unprecedented as well. I think it's worth it.

Pat: Here's a question, Nick, for you, and that relates to the fact that this is being built on another platform like Amazon. It's just a little scary, right? At any moment in time, Amazon can change the rules. I know they've done that with eBay sellers before and it truly, drastically changed people's lives when they just changed their terms of service or something. How are you guys protecting yourselves, or how you recommend people getting into this make sure they don't get the rug pulled out from under them if something were to happen? Or am I just being crazy thinking about that?

Nick: No, I mean that's a real concern. Amazon can change the way they do things overnight. They don't always give notice. Most of the time they don't. You have to constantly adapt and adjust. That is something to be wary of. In general though, we're also branching out to some other market places like Jet. We're selling on eBay. If you had some diversification in terms of market places, that can be interesting and can help you mitigate some of that risk. All in all, you're at the mercy of Amazon somewhat, but if you follow the rules and you don't get suspended, which isn't always guaranteed, then you can usually do pretty well. They do make changes, but they're usually things that you may not like at first but you can adjust to. As long as you stay in the game and diversify across a few market places, especially when you build out to some scale, then that can really help you.

Initially, I wouldn't worry about that risk too much when you're just getting started because doing something there is better than nothing or being scared to take action in the first place. Taking action and just getting started, and then worrying about that when you build out to some scale is what I would recommend.

Pat: Right. Ryan, can one build a brand from doing this? Or is it essentially

just being the middleman the whole time? Can somebody choose, for example, a specific kind of product and build a really good brand that's known for finding these products for a particular audience? Or is this more just take it as you go kind of thing?

Ryan:

Yeah, I think you definitely can build a brand. It all depends on your motivations. Just touching on one thing from the question you posed to Nick: We're an online retail business that uses Amazon as a distribution channel among several. We're not 100% tied to Amazon, because the relationships we have with suppliers will carry over even if we have to switch market places in the future, and if and when that happens, we're open to it. We try to build ourselves as an online retail business as opposed to strictly an Amazon business. We've calculated the risks and rewards and believe Amazon is worth putting a lot of eggs into at this point, eggs into that basket, but we do try to . . . We know we have options beyond that too.

Then touching on building a brand. I definitely think you can do that too. It's a little bit challenging, but there's ways. We set up a Shopify site specifically carrying our Amazon products, so then we have somewhere that customers can go directly to buy from us if they'd rather compare to Amazon. You can make your seller name on Amazon match the domain name of your website, and you can include insert cards with each product that you sell, letting the customer know where the products are coming from. There's ways you can build a brand.

I think it's a challenge in figuring out exactly how worth it that is, is something that each person has to analyze, because the beauty of Amazon is they handle all the customer service and they handle getting the customers. When you do that on your own, it's a different ballgame. It's possible, but it's definitely . . . Amazon designs things in a way that the customers remain there, so I think that's fair to say.

Pat:

Cool, I love it. Finally, if I'm going to go down this route and I get really excited about it, at what point would you recommend somebody . . . Because you can do this as a sole proprietor, right?

You can just literally do this right now without having to set up business, but is it worth considering setting up a separate LLC or an s-corp or some sort of separate thing that protects you and your personal assets? At what point would you recommend people get into that level?

Ryan: Yeah, I'd say once you know that it's something you want to pursue further, like you've done a few shipments to Amazon and you know that you want to really try to make something of it. Whether that's making an additional \$5000 a year, or you want to turn it into a million dollar business, once you're at that point where you know you want to make it into something more, that's when I would look into putting the legal protections into place. When you do go that route, we're set up in an LLC corporation. That's an entity structure that makes sense for a lot of businesses, as it can help mitigate some self employment taxes if you do it properly, so I'd definitely get a CPA involved with the process. But as soon as you know it's a business that you'd like to do, then I would get some legal protections in place just to make sure that you're not exposing yourself to any unnecessary liability.

Pat: Just kind of along those lines, you were mentioning CPAs and stuff and taxes. Is the purchase of the inventory considered something that could be written off?

Ryan: It depends on your method of accounting. If you're on the cash basis of accounting, which basically means things are expensed as soon as you buy them, then it's, in theory, deducted as soon as you purchase it. If you're on the accrual basis of accounting, then you don't get the deduction until you actually sell the item.

Pat: Right. Okay, cool. Nick, final question. Sorry, I know I said that already but I keep thinking of these things . . .

Nick: No problem.

Pat: I'm trying to put myself in the shoes of the listener, and I think after listening to this, like what happened the last time we talked about this, a lot of people are going to be interested and want to

try this out. The one question that comes to mind is, it too late? Is it crowded? Is it going to be very competitive? Can you speak on that? Is it open doors for everybody right now?

Nick: Yeah, I think it's something that's it's pretty wide open for people to get a taste in. Scaling from that point becomes slightly more difficult, but in terms of the retail perspective, I think everyone can for sure give it a go and try it and see if it works for them. Not everybody's going to love it. Not everybody's going to stick it out either. Their sellers come and go all the time everyday. I think it's definitely something that everyone can give it a try. It's as simple as going to a retail store and seeing if it's for you.

Pat: Nice.

Ryan: And then Pat, if we could, we have basically just a completely free challenge that we'd like to issue to SPI listeners on how they can could started on Amazon in a weekend, and we could just run through the steps really quick, if that's okay with you?

Pat: Let's do it. I'm all ears.

Ryan: Okay, cool. The goal of this would be to see, for someone trying this out, if selling on Amazon is for you and something you wish to pursue further. We're going to call it Make Your First \$100 Selling on Amazon in a Weekend. Your goal is to spend \$200 on inventory at a retail store. Here's the steps that you need to take. The first thing is to sign up for an Amazon seller account if you don't already have one. After you have that done, you'll want to download the Amazon seller app. That's a free app directly from Amazon. It's in the available for android and iPhone. Next step is to go to a retail store. We'd recommend like a Wal-Mart, Toys "R" Us, Home Depot, Lowes, Meyer, Shopko, Target, K-Mart. A store like that. A big box store or a regional discount type store with great options.

Then you're going to go into those stores, you're going to grab a cart, and you're going to expect success. The cart is maybe trivial, but we tend to find stuff when we're doing this and getting the carts going to be a key part of getting those items out of the store. Once

you're in the store, you're going to locate the clearance sections of those stores, and then you're going to scan those items with the Amazon seller app. What scanning those items means is you're going to open up the Amazon seller app, there will be a button with a picture of a camera. You're going to click on that button, and you're going to hover your phone camera over the product UPC on any product that's on clearance. Your goal is to scan 250 items in one store, or potentially multiple stores. If you dedicate about two hours to this, there's a pretty decent chance you'll be able to scan 250 items and be able to purchase some of them.

In terms of which items you're looking to scan, you're looking to scan items that are 50% off or more. In terms of knowing which items makes sense to purchase, you want to buy any item that has a sales rank with a number lower than 250'000 and where the return on investment will be 50% or more. Then you buy six or fewer of each item. Don't buy more than six, that will keep you diversified and give you a better chance of getting sales. Then the final step after you've purchased the items is to box them up and ship them into Amazon.

We'll be setting up a special page just for SPI listeners to OnlineSellingExperiment.com/SPI. We'll go into a little more detail on all of these steps, and then we've got tutorials on how to ship items to Amazon as well. It'll have more details. Completely free, no opt-in required. But we'd like to initiate that challenge and see if you guys can make an income selling on Amazon. Just to give you some hope about this or if you're wondering if this is possible, me and Nick just over the weekend, we wanted to make sure this was extremely viable. I went to Home Depot, Nick went to Target. We just scanned literally all of the clearance items in these stores. Took us less than an hour total, and we each purchased over \$100 in products just from that. These are just stores that happen to be convenient for us. If you get out there, scan 250 items, we're confident that this will lead you to having items that you can resell on Amazon.

Pat:

Nice. Do you go into a little bit about how to list those things and so on and so forth?

- Ryan: Yep. We'll have a tutorial up there . . .
- Pat: Cool.
- Ryan: . . . to directly how to list them. How to price them. Everything that you need to get started, and it's all completely free.
- Pat: Alright. Well, you guys, that was so great because it's definitely step by step. I wish every person that came on the show gave some really actionable advice like that, and I'm now encouraged to go and do it myself and be apart of the process. I will do the experiment along with everybody out there listening and perhaps I will do it earlier and then be able to report back, even before this episode goes live. I'll let you guys know, but it is something I want to do. You've laid out the land and it sounds simple, but we'll see. I'll give it a shot. Again, thanks guys so much for being here. Where would people go to get that, Ryan?
- Ryan: Yeah. Awesome that you're interested in trying it out. You can find all the details on that at OnlineSellingExperiment.com/SPI. We've got one more little detail there. We really want people to test this out and make it as risk free as possible, so if you're okay with it Pat, for the first 100 people that do this challenge and then post proof in the comments section of this blog post, we will buy them a copy of either *Will It Fly?* or your next book when it launches.
- Pat: Cool, man. Thanks for that. I didn't know you were going to do that. Let's make it the next book when it launches, that way we give more people time to do this experiment. Yeah. Maybe the end date for being able to do this will be by the time the next book comes out, is that cool?
- Nick: Yeah, that sounds perfect. We'll put the details of how to enter specifically on OnlineSellingExperiment.com/SPI. Again, no opt-in required or anything like that. Just post in the comments, and then we'll follow up with people to get the shipping details for the book.
- Pat: I love it. Super cool man. Thank you so much for that. Guys, again, remember OnlineSellingExperiment.com. You can find Ryan and

Nick there. Super generous with your time. Thank you guys today for being awesome and if there's anything we do for you let us know.

Ryan: Sounds good Pat, thanks for having us.

Nick: Yeah, thanks a lot.

Pat: Take care. Alright guys, what'd you think? So hey, Ryan, Nick thank you so much for coming on. You can check them out at OnlineSellingExperiment.com. And also if you want to partake in this challenge and get the information, remember OnlineSellingExperiment.com/SPI to get the walkthrough thing and how to do it all, but also leave a comment at SmartPassiveIncome.com/Session266. That's where you're going to go to leave your comment and share your results from this challenge. You're going to have a number of months to share this, so keep it in your, I don't know, calendar or just in the back of your mind to make sure that when you get the results of this experiment to post it so you can get my next book when it comes out for free, thanks to Ryan and Nick, again, from OnlineSellingExperiment.com. We'll have all the links and stuff in the show notes, but again that link for you SmartPassiveIncome.com/Session266.

I had mentioned at the beginning of this episode that actually I'm doing this right now. I was just so inspired to see what this was like after this interview that the same day I went to Target, I had my Amazon seller app already downloaded. I went into the clearance aisles. I actually had a lot of fun. I brought my family with me. I took my son Keoni along to just show him what I was doing. He was so funny because he was so confused.

He was like, "First of all, what are you doing?" I had it in my app and I was scanning things and he's like, "Do you work here?" And I'm like, "No." My son is seven, by the way. I was like, "No, I'm scanning things so I can see how much they're being sold for on Amazon." He was like, "Why would you want to do that? Are we buying these things?" I'm like, "No. I don't necessarily need a gravy warmer, but it's going for \$9.98 and actually it's going for \$17 on Amazon." He was like, "Okay, are we buying it?" I said, "Yeah." He's like, "Do we

need that?” And I said no. He said, “What are you doing?” I said, “Well, we’re going to sell it on Amazon for more.” He’s like, “Can you do that? Is that legal?” He said that. “Is that legal?” I said, “Yeah.”

When you think about it Target, or any big box retailer, when they put things on clearance they just want to get rid of it. That’s why they discount the price, they’re making room for new stuff. It’s a win for them. It’s a win for whoever ends up getting that product after buying it on Amazon because they’ve been looking for it and perhaps they didn’t have easy access to it, which is why they’re buying it. And it’s a win for me because I’m getting a profit. On that one in particular, the crock pot gravy warmer, if you will, going for \$9.98 was going for about \$17.96, if I remember correctly, on Amazon. Then minus a couple dollars for fees, I was making about 8 bucks profit and I had bought six of them.

It’s very strange having a cart, actually a second cart, because my wife was there buying stuff that we actually needed. I had a whole full cart just of random stuff. What else did I have? Pokemon glassware. Or not glassware, but plastic dishes and stuff. I bought six of those because that’s what Ryan and Nick told me to do. Actually, to this day, I’ve already made up the cost of everything I’ve sold. I think I have \$2 profit at the time I’m recording this. So I’m recording this episode on Sunday, March 26th. I’ve been doing this just for a few weeks now and I’m already profiting.

Now it does take some work, and there’s a lot of hidden things that you wouldn’t know that you need to spend money on. For example, I bought this little tool to help remove the little clearance stickers off the box because you don’t want to ship somebody an item that they paid for that shows that somebody bought it for less. I also bought some paper that you use for labeling. There’s also other things like storage fees and whatnot that have to be taken into account. It’s \$39.99 just to get an Amazon seller account. All these little things I discovered along the way. I’ll probably end up doing a wrap up post sometime in the future related to after all the inventory or however much has sold is gone, just to show people that it did work.

But hey, that's my participation in this challenge and hopefully you guys will participate too. So again, the link for all of you to go and get the . . . To leave a comment, first of all, but also get all the links and stuff where the link for also the instructions on how to do this are at SmartPassiveIncome.com/Session266. I spent about 240 bucks on stuff, and I'm already about right there with profit with a lot more inventory left to sell. It works. And not only that, my son wants to continue to go with me and find things. Actually, it's become this fun treasure hunt because we have this app, and it tells us the prices. It's really cool. Anyway, fun thing to do with the kids. Make sure that you read all the rules and listen to everything that Ryan and Nick tell you. But yeah, super cool.

Anyway, thank you so much. If you do this already, also leave a comment. Let us know your results. I know people in the Facebook group who have heard Jessica and Cliff's episode back in episode 99 have shared things, and it's inspired other people to do it too. Yeah. Anyway, looking forward to seeing you there. Thanks so much, I appreciate you and I look forward to serving you next week. Yeah. That's it. You guys rock. Take care. Bye.

Announcer: Thanks for listening to the Smart Passive Income podcast at www.SmartPassiveIncome.com.

Pat: Hey, by the way, I have one more thing to share with you. My upcoming launch for my course Smart From Scratch is coming in June. If you want to sign up for the wait list for that before it comes out, please do by going to SmartFromScratch.com. It's there to help you if you're just starting out. Maybe this retail arbitrage thing isn't right for you and you really want to build a real online business and validate your idea before you actually get started and begin getting customers even before you have your thing built, this is the program for you. I've taken 400 students through the course and it's getting amazing, amazing results from people. People getting their first customers. People throwing away ideas that they didn't know were terrible, all that kind of stuff. Go ahead and go to SmartFromScratch.com, sign up there and look out for the emails for the launch coming up in June. Thanks guys, take care.



SHOW NOTES: <http://www.smartpassiveincome.com/session266>

RESOURCES: [Online Selling Experiment](#)

[Smart Passive Income Episode 99: Buying Stuff and Selling It on Amazon \(For 6 Figures a Year!\) with Jessica and Cliff Larrew](#)

[Selling on Amazon](#)

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