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The Modern Retailer's Guide to Launching a Dropship Program

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Chapter 1
Introduction

This guide covers everything you need to know to launch your dropship program.

In the hundreds of conversations we've had with retailers, we've identified common discussion points and questions that come up around dropship, including:

- How do I calculate the financials for my dropship program?
- Do I need to form a dedicated dropship team?
- How do I integrate with my business partners: EDI or API?
- How do I handle returns and exchanges for dropship?

We answer all of these questions (and many more) in this guide. Once you're finished reading, you'll have a much better understanding of what you need to get your dropship program off the ground.

Most of the lessons that we share here have been learned through trial and error. We've had the opportunity to work with enterprise retailers that do over nine figures in gross merchandise value (GMV), like Indigo, MADE.com, and Harry Rosen, and helped them launch and scale their dropship programs. The recommendations we make here will help you avoid some of the most common mistakes we see retailers make when they launch dropship programs for the first time.

What this guide covers

This guide has nine chapters. The first two chapters function as a preamble and overview to the rest of the guide.

First, we take a step back and explain why retailers need dropship programs in the first place. We share data from industry expert Rick Watson on how dropshipping helps retailers compete in the age of Amazon.

Next, we introduce **The Dropship Launch Map**. The map gives you an overview of the steps that you'll need to take to launch your dropship program.

The rest of the guide covers each of these steps in detail and shares how you can go about executing them.

Who this guide is for

This guide is for retailers of any size looking to launch a dropship program of their own. The process of launching a dropship program in your store is the same whether you're an established retailer selling 10,000+ SKUs or you're a new retailer that is yet to launch their website.

The one caveat we should make is that we've seen different post-launch results depending on the overall maturity of the company. Established retailers have the advantage of hundreds of thousands of visits in monthly traffic and an established brand that customers recognize. New retailers are earlier in their journey, and so a dropship program is just one step to acquiring and growing a base of loyal customers.

A word on how we maintain this guide

This guide is regularly updated with new sections and revisions with each version. You can see the **Changelog** section of the guide to learn what updates have been made with each version.

We want to make this a relevant document that evolves with our learnings and best practices as we work with retailers to launch their dropship programs now and into the future. If you have a question that you would like answered in updates to this guide, please email our content lead Nikhil Venkatesa at nikhil.venkatesa@convictional.com.

Without further ado, let's jump into the world of dropship programs and how to launch them.

Chapter 2
Dropship programs: what they are and why you need them

If you've worked in the retail and ecommerce industry for the last decade, you've heard of dropship.

Dropshipping has been around since before the Internet. Mail-order catalog businesses used dropshipping to fulfill their orders. The concept took off in ecommerce; it was instrumental in getting digitally native vertical brands (DNVB) and direct-to-consumer (DTC) products off the ground because it lowered the barrier to getting an ecommerce business up and running.

Recently, large retailers have started adopting dropship as a way to expand their product assortment without carrying inventory risk. In 2021, Macy's, Nordstrom, and Foot Locker all announced plans to invest in dropshipping operations to reduce their dependence on wholesale inventory.

So what exactly is a dropship program and why does every retailer need one?

What is a dropship program?

Dropship (or dropshipping or drop ship) is a fulfillment method that retailers use to service customer orders without storing products in their inventory.

In a dropship program, orders that are placed on a retailer's website are routed directly to the brands that manufacture and/or inventory the products included in the order. Brands then ship the products to the retailer's customers.

Successful dropship programs have individual functions that attend to each phase of the dropship process:

1. **Sourcing:** discovering new brands and establishing partnerships with them.
2. **Onboarding:** onboarding new brands to a retailer's trade platform — syncing product, inventory, and pricing data while completing contract, service level agreements (SLAs) and other legal workflows.
3. **Merchandising:** aligning a brand's product images, descriptions, tags and attributes with the retailer's brand and tone of voice.
4. **Operations & Support:** managing the flow of orders from the retailer to brands and from brands to customers. If there are any hiccups, whether they're technical or operational, the operations team gets involved to solve them.

Depending on the size of the dropship program, the number of brands that have been onboarded, and the revenue that the program generates, a retailer might combine these functions or break them out even further. We'll discuss headcount in Chapter 4 where we cover who you'll need to build your dropship team.

Why you need a dropship program

Modern retailers face an existential crisis.

For a long time, a retailer's purpose was to offer a broad selection of products to their customers at a competitive price. But now, selection and price are solved problems in retail. Credit Amazon for that.

So how can retailers compete in the age of Amazon?

As industry expert Rick Watson illustrates in his report Freshness and Differentiation: The Modern Retail Strategy, the path forward for modern retailers is **thoughtful curation by identifying emerging brands that resonate with customers and onboarding them faster than the competition.**

Speed is critical for the modern retailer. When consumer tastes change every day with a new Tiktok trend or a breakout Netflix show, retailers have to be able to merchandise at the speed of content. Wholesale business models, which typically run on annual "open to buy" planning, simply weren't built to move at this breakneck pace. — it's fine when you need to refresh your assortment every quarter, but not when you need to bring on new brands in days.

Wholesaling also has some inherent constraints that make it difficult for retailers to be quick and agile:

1. **Forecasting constraints:** retailers have always faced issues with the accuracy of their sales forecasts. Over-buying leaves them exposed to significant inventory risk at the end of the year, while under-buying means they leave millions of dollars in sales on the table.

2. **Funding constraints:** a retailer's wholesale budget limits them from partnering with as many brands as they want. It's harder to allocate budget towards new brands that buyers may discover mid-year vs. at the beginning of the year.

3. **Capacity constraints:** retailers have an upper bound on how much inventory their existing warehouse space can carry.

Dropship programs remove all of these constraints for retailers:

1. **Forecasts not required:** retailers don't have to forecast in advance because they place orders with brands as and when customers place orders with them.

2. **Budgets not required:** retailers don't have to allocate a budget to purchase inventory in advance. Their costs are directly correlated with the orders they receive.

3. **Warehouses not required:** since brands and third party logistics services (3PL) are shipping products directly to customers, retailers aren't limited by how many warehouses they own and operate.

Dropship programs also give retailers new ways to collaborate with brands:

1. **Test new brands and product categories**
   Dropshipping enables retailers to test out new brands on their store without the inventory risk that comes with wholesale buys.

   This also applies to adjacent product categories that a retailer is looking to enter but isn't confident of whether they would appeal to customers. A good example of this comes from Canadian luxury menswear retailer Harry Rosen. When they decided to launch a dropship program, they did so to test an adjacent product category for them: men's grooming.

2. **Use a dropship-wholesale mix to capture existing demand**

   Retailers can also leverage dropship to complement their wholesale program.

   They can use wholesale to merchandise popular products from a brand with whom they have a long-standing relationship, while also using dropship to merchandise less popular products or less common styles of an existing product.

   This hybrid approach gives retailers the latitude to cater to all their customers without affecting their bottom line.

Dropshipping isn't just a fulfillment method— it's a new mode of operating your business. It's why large retailers are relying more on dropship operations, and it's only a matter of time before they become table stakes for every retailer in the industry.

Chapter 3
The Dropship Program Launch Map

Dropship programs are still in their infancy, which means that there's no existing playbook to help retailers get their dropship program off the ground.

With The Dropship Program Launch Map, we're giving retailers a playbook to get started with getting their dropship programs off the ground. It's a five-step process that you need to execute to get your dropship program up and running.

1. Design your dropship program

Start by designing your dropship program — identify your goals, calculate your financials, build out your dropship team, and more.

2. Select your technology platform

Next, find a technology platform to partner with. If you want to launch your dropship program quickly, you'll want to partner with a platform rather than build your own.

3. Source your sellers

You're ready to start reaching out to brands for your dropship program! This step involves outreach and pitching best practices to convince them to join your program.

4. Onboard your sellers

You've established partnerships with your sellers — it's time to onboard them to your program with your trade platform.

5. Launch your program

You're now ready to launch!

In subsequent chapters, we'll dive into each of these steps and share all you need to know to execute them successfully.

Chapter 4
Design your dropship program

Retailers who intentionally design their dropship programs, vs. setting the rules as each vendor is onboarded, set themselves up for success. Dropship program design involves thinking through and making informed choices on every aspect of the program.

Define your goals

What do you want to achieve with your dropship program? Here are a few potential options for you:

1. **Expanding your assortment** — offering more products to your customers, potentially in categories or styles you don't currently stock.
2. **Staying on top of consumer trends** — rapidly stocking products that go viral on social media to capitalize on their hype and attention.
3. **Removing capacity limitations** — reducing your dependency on warehouse capacity to meet customer demand.
4. **Reducing inventory risk** — unlimited virtual inventory ensures you're never sold out, and reduces inventory sold at a discount and through liquidation.
5. **Growing your revenue** — offering products with dropship to meet annual revenue goals.

Whether your goal is one of these options or all of them, having it clearly defined will help you design the right program for your business.

Calculate your financials

Dropship financials are starkly different than wholesale financials. Unlike wholesale, which has a fairly flat markup on products across most categories (roughly ~50%), dropship markups are typically lower (between 20%-35%) and fluctuate more broadly across categories.

To streamline your operations, we advise that you decide which categories you're launching your dropship program with and standardize your margins per category as much as you can. Pricing negotiations are part of any brand partnership conversation, but you can avoid weeks of back and forth if you've set a baseline standard that is consistent with margins a seller would find elsewhere.

The inputs to building margin profiles by category should come from a variety of sources.

1. **Gather data from brands** in a particular category. They're typically good at providing guidance on margins by category.
2. **Bench different brands against one another** for margin in similar categories. This will help you identify a similar margin you can provide across multiple categories.
3. **Build a range of tolerance for margin.** If you're entering new categories with dropship, you may want to have more competitive prices for customer acquisition. This will come at the cost of margin. If a standard margin is 25% in a category, you may want to consider 20% if you want to be more competitive.

On the cost side, there are a few different types of costs to consider as you build a financial plan for your dropship program:

1. **Packaging costs**
   Do you want your suppliers to use packing materials that showcase your brand to your customers? Then you'll need to give them custom packaging to get this done. Since you'll be bearing the cost of packaging, make sure that you account for this when you calculate the margin split between you and your suppliers.

2. **Shipping and returns costs**
   The convenience of dropshipping means that brands often carry the cost of shipping and returns in each transaction. For this reason, sellers who offer to handle all returns logistics often retain a couple of margin points, so you should be prepared to adjust your margin accordingly during your price negotiations.

3. **Processing fees**
   Since you as the retailer collect payment for the goods sold on your store, there are additional processing fees (ex: Stripe payment gateway fees) involved in remitting payments to your suppliers.

Another consideration for your cost analysis is the price point of each SKU in a category. Some categories, like personal care products, have lower per-SKU prices versus others, like apparel or furniture. When your price points are lower, it gets tougher to ship them at a healthy margin. One way to avoid this problem is to offer product bundling to your customers in exchange for free shipping.

Once you've calculated your margin profiles and your cost breakdown, **we recommend doing a 3-year P&L analysis.** This will help you understand how large your dropship program can become (depending on how many categories you'll be pursuing, the number of brands you plan to onboard within each category, and the number of SKUs you plan to bring online) and how many resources you need to allocate to hit your program goals.

Build your dropship team

If you think you need a large team to scale your dropship program, don't worry. We've seen plenty of dropship programs scale with small teams that operate with a high degree of efficiency.

Here are the roles that are essential to every dropship team:

1. **Brand Partnerships**

   Brand partnerships is responsible for discovering new suppliers and convincing them to join your dropship program.

   They're skilled at seeing category trends before they happen, pitching your store effectively so as to elicit brand interest, and closing partnerships quickly so that brands can move to the next stage of your onboarding funnel.

   Depending on the size of your organization, this function might be served by several category managers or an individual specialist dedicated to building a pipeline of brands that can be added to your store.

2. **Merchandising**

   Merchandisers are responsible for onboarding brands to your program and merchandising their products on your store.

   Every software platform used for your dropship program (we explain these platforms in Chapter 5) has a unique set of onboarding steps that have to be completed to get a dropship brand live in your store.

   After guiding brands through those steps, merchandisers make sure that a brand's product data matches your store's product page requirements, including photo dimensions and product descriptions.

3. **Dropship Operations**

   Dropship operations is responsible for tracking your program's progress against the goals and objectives that you need to achieve.

   They're responsible for interfacing with your IT team to troubleshoot any issues your trade platform is experiencing, managing the other members of the team so that they're hitting their KPIs, coordinating with your marketing team to promote brand launches, and more!

   This role is usually filled by a senior executive within your company, typically the Director of Dropship.

Depending on the size of a dropship program, these three roles can be filled by one person to start and distributed to more team members as the program roles.

In addition to these roles, you might need to allocate 1-2 support staff members to help your partnerships and merchandising specialists, or to work on any promotional campaigns for which your marketing team might need additional support.

Create your Ideal Seller Profile (ISP)

The dropship programs that we've seen succeed the most are the ones that curate the suppliers that are invited to the program.

Just as you have an Ideal Customer Profile for your target customers, think of your Ideal Seller Profile. What are the criteria that qualify a brand to dropship with you? Knowing which product categories you plan to dropship isn't enough to zero in on the sellers you need to partner with to make your program successful.

We recommend that you keep the following criteria in mind as you create your ISP:

- **Shipping requirements**
  - *Ship to/from country:* which countries are your customers located in? This will help you choose brands that can ship to those locations.
  - *Delivered Duty Paid:* your customers can pay duty charges after shipment, but you should work with brands who can absorb duty costs into their pricing.
  - *Ability to meet SLAs:* your suppliers should be able to meet your guaranteed shipping times for customers.
- **Ideal price points**
  What are the price ranges within each category for products on your site? Work backwards from there to determine suppliers that make sense for you.
- **Annual revenue thresholds**
  Order volume a brand would be able to fulfill. If a brand can't meet your order volume from an inventory standpoint, you might not want to partner with them and risk disappointing your customers.
- **Margin expectations**
  We covered this in the previous section, but it's worth repeating. This refers to the ideal margin you're expecting from a seller in your target category.
- **Brand age**
  Whether your customers prefer modern or younger brands in a category or established/classic brands in a category.
- **Brand values**
  Depending on your brand positioning as a retailer, you may have certain values that you need partner brands to be aligned with you on.

ISP documents are essential to help your sourcing teams identify the right brands to partner with for your dropship program. Without them, you could risk partnering with suppliers that don't align with your own brand or goals for your dropship program.

Plan your packaging, shipping and returns policies

Three common questions we frequently hear from retailers when they're setting up their dropship programs are:

1. How can we maintain branded packaging with dropship suppliers?
2. Who bears the cost of shipping?
3. What do I do if a customer wants to return or exchange an item?

All three questions are relatively straightforward to address. Let's break them down:

Packaging

The unboxing experience is a critical moment in the customer journey. Retailers are dogmatic (as they should be) about providing the best possible unboxing experience that customers can rave about.

With dropship, you can work with suppliers by providing them with custom packaging for all your orders. Although custom packaging costs will reduce your margin, you'll be able to preserve the standards that provide the best possible experience for your customers.

There are plenty of custom packaging providers, like Packlane and Arka, that can help you optimize the unboxing experience in your dropship program.

Shipping

In a dropship program, it's fairly obvious that your sellers will be shipping products to your customers. It's not obvious who pays for the cost of shipping.

When you're getting started with your dropship program, we recommend that your suppliers bear the cost of shipping. They can then either integrate the average cost of shipping into their pricing to you or they can pay for labels from a predetermined carrier and service level in advance. In the latter case, you can surface the cost of shipping with your customer to preserve your margin.

Returns and Exchanges

Returns and exchanges are inevitable with ecommerce and dropship programs. You need to have a process to make them a delight for your customers while reducing the burden on dropship brand partners or your internal team when they happen.

There are three return models that you can adopt for your dropship program:

1. **Instant Returns**

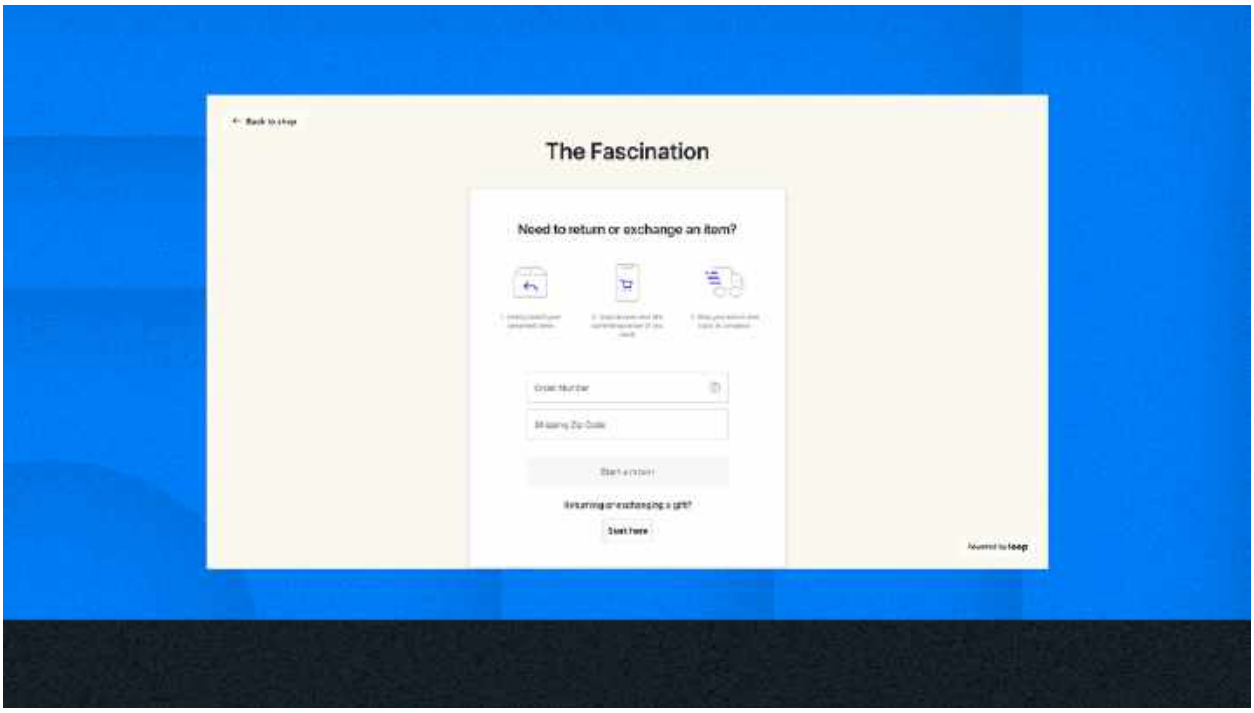
   In this model, customers place a request for a return or an exchange through a returns portal managed by the retailer. They can either choose to return their item or exchange it for another style of the same item or a different item from the store.

   The customer is given a return address or a return label (depending on the supplier) for the item they wish to return, after which they ship the item back to the supplier.

   Once the item is in transit, the retailer refunds the customer and once the brand receives the item, the supplier refunds the retailer.

   While this returns process is straightforward and reduces your team's burden when it comes to managing returns, the risk with this model is delays in receiving refunds from your sellers. It also tends to be a manual reconciliation process.

   The Fascination uses this model to process their returns and exchanges. Their returns portal is powered by Loop Returns.



2. **Returns Allowance**

   In a returns allowance model, sellers don't accept returns for their products, so retailers retain extra margin points (between 1-5%) on every order. Retailers accept returns from customers to their warehouses or their physical stores.

   In some cases, retailers might also not process returns and let customers keep the purchased items and refund their order. The risk in taking this approach is that retailers open themselves up to returns fraud i.e. a customer may consistently place orders and request refunds knowing that they will get a refund.

3. **Return to Vendor**

   The Return to Vendor (RTV) model is preferred by retailers that have physical locations. In it, retailers accept all their returns in their stores or in their warehouses. On a monthly or quarterly basis, they package all their returns and ship them back to supplier in bulk. The seller then refunds the buyer for a bulk return.

   Each of these models comes with risks and nuances that you need to keep in mind. We see retailers adopt a mix of all three for their dropship programs.

Map out your supplier onboarding process

The last step before launching your dropship program is to map out your onboarding process for sellers.

- How will they integrate with your system?
- When and how will they sign your vendor agreements?
- How will they sync their products with your store?
- How will they share fulfillment information with you?

Once you've asked these questions and mapped out your onboarding process, identify the points with the most friction and find workarounds to reduce the onboarding time for each seller.

We've typically found the most friction to happen right up front, during the integration process. The reason for this is retailers tend to choose integration paths that are convenient for them, but not convenient for their suppliers. We'll explain why this has been the case in the next chapter.

Another friction point that comes up frequently for retailers we work with is their contract length. We've seen supplier agreements from retailers go over 100 pages. 90% of these lengthy agreements contain legal verbiage that isn't necessary for a dropship supplier relationship. Try to reduce your contract length to three to five pages so that brands don't feel intimidated and can onboard with you quickly.

Chapter 5
Partner with a technology platform

You've designed your dropship program and you're ready to get started. But before you can reach out to brands and pitch them to join your dropship program, you need to choose a technology platform you can use to trade with them.

These systems help you transact with your suppliers so that you can send order information to them and then can send their product, inventory, and fulfillment information to you. They're commonly used by retailers to:

- Send purchase orders to their suppliers,
- Receive a supplier's price catalog,
- Receive inventory updates from their suppliers on available product stock,
- Receive shipping information when a product has been shipped,
- Receive invoices from suppliers for their purchases,among many other transactions.

B2B trade in retail: then and now

Historically, B2B trade has operated on a data protocol called **electronic data interchange (EDI)**. EDI was developed in the 1960s to trade aircraft parts easily. EDI provided a set of standards around business transactions that enabled businesses to trade with each other easily.

The underlying EDI standards haven't changed all that much since then, but the way that businesses use EDI to conduct trade has evolved over time. While businesses used to trade EDI files directly with each other, they now use third-party EDI solutions that process their EDI files. These solutions are EDI translators and they're usually integrated with a business's enterprise resource planning (ERP) software. Some examples of these solutions are SPS Commerce and TrueCommerce.

The drawbacks of EDI for dropship

As a pre-Internet data protocol, EDI has a number of drawbacks:

1. **Both trading parties need to be EDI-compliant to trade**
   While this doesn't affect classic brands that are EDI-compliant from day one, it affects new DTC brands that have launched with ecommerce platforms like Shopify.

2. **EDI implementations are complex and expensive**
   If a supplier hasn't implemented an EDI solution for their business, it often takes between three to six months to get set up. The number of vendors and technical engineers who can handle EDI implementations is low, which means that the cost per implementation usually ends up being very high.

3. **EDI networks are non-exclusive and public**
   To mitigate concerns around the cost and time required to execute an EDI implementation, EDI solutions have made their networks public to their members. What this means is that once a brand completes their EDI implementation to trade with a retailer, they are listed on the provider's network so that they can integrate with other retailers as well.

   As a retailer, this means that you often lose exclusive trade relationships with brands if you go down the EDI route.

4. **EDI solutions eat into dropship margins for brands**
   EDI solutions charge a per-document fee for any documents transacted on their platforms.

   This may work fine for supply models which require a low frequency of sending documents and have a high volume of orders per document, like wholesale.

   Dropship has a high frequency of sharing documents with a low order volume per document, which means that a per-document fee eats into a brand's margins.

The new way to trade: APIs

In the last decade, a new wave of innovation has transformed multiple industries, including payments, banking, payroll, and healthcare. That innovation is application programming interfaces (APIs). APIs allow two software applications to communicate with each other in real time.

With APIs, a business can process payments from anywhere in the world (Stripe), link a customer's bank account with their application (Plaid), or instantly process payroll across multiple payroll systems (Finch), all within minutes. Ecommerce platforms like Shopify, BigCommerce, and WooCommerce have their own set of APIs that developers can use to build apps for brands.

APIs solve for EDI's drawbacks in the following ways:

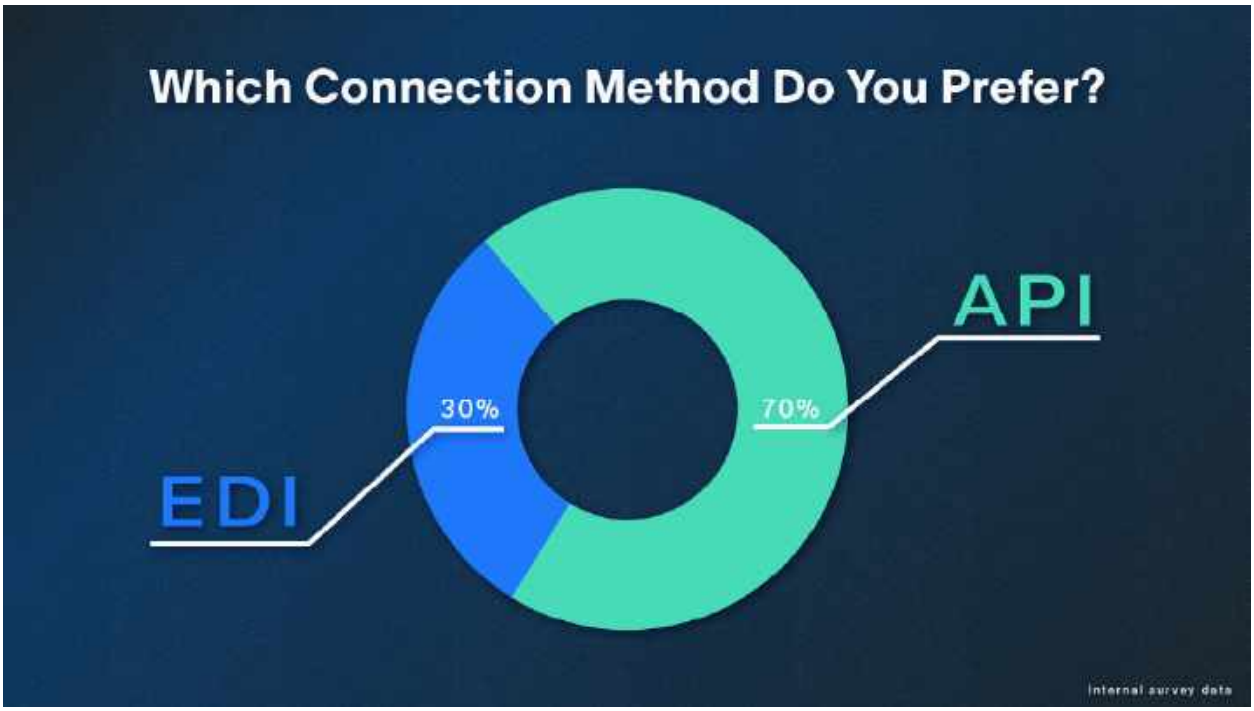
1. **APIs are faster and cheaper to implement**
   API reference documentation is standard for modern technology businesses and today's developers are familiar with them. Given the ubiquity of APIs in the modern software development context, they're easier and faster to implement — days vs. months in the case of EDI.

   Some APIs can also be implemented without any custom code. Ex: brands that are hosted on Shopify can often implement an API by installing them through the Shopify App Store.

2. **APIs connect businesses on a 1-1 basis**
   While EDI solutions operate publicly available networks, APIs connect businesses directly with each other. This means that retailers can establish exclusive trade relationships with brands without worrying about brand commoditization.

Bringing EDI and APIs together

Our data suggests that about **30% of suppliers in trade relationships forming in 2022 still prefer EDI over modern alternatives**. The remaining 70% typically connect via API integrations in some fashion to manage their business processes, but the method can vary significantly between app-like connections (powered by an API under the hood), manual data upload (also powered by APIs under the hood) or direct API connections.



As a retailer, you want to have the ability to connect with any brand you want to do business with, regardless of how they choose to connect to you. If you can only trade with EDI, you risk missing out on modern brands that prefer APIs, and if you only connect with brands via API, you risk missing out on legacy brands that prefer EDI.

The solution we believe works best for retailers is to be able to accommodate both EDI and API connections for their dropship programs (hint: Convictional does exactly that).

What to look for in a technology platform

Retailers have plenty of technology platform options to choose from. So what should you prioritize when you're choosing one for your dropship program?

We recommend partnering with a technology platform that:

1. **Offers multiple connection options**
   As we mentioned above, you don't want to force your suppliers to go down the path of EDI or API. Offer them multiple EDI-based and API-based connections to make it easy for them to trade with you.

2. **Makes it easy to onboard**
   To add hundreds of brands to your program at scale, you need a platform that makes it easy to onboard with you. This includes self-serve, guided onboarding steps that remove the need to go back and forth over email to accept your policies and sync their products and inventory.

3. **Syncs product and inventory information in real time**
   The right B2B trade platform doesn't just know how many units of a SKU your suppliers have. It also has the ability to take actions determined by business logic with inventory data, such as preventing orders from being placed after a supplier has run out of stock of a particular product.

4. **Gives you visibility in your supplier's performance**
   There's no point setting SLAs for your dropship program if you can't see who's sticking to them and who isn't. Partner with a B2B trade platform that helps you see each supplier's performance and notifies you when a supplier has fallen out of your SLAs.

All of these priorities can be summarized in a guiding philosophy: supplier enablement. Technology platforms that are supplier-centric prioritize the flexibility and ease of use that's important to getting your suppliers onboarded with you quickly.

Activate your technology platform

Once you've chosen a technology platform to partner with, it's time to activate it for your dropship program.

You can integrate with your platform through a **Direct** integration or a **Custom** integration.

Direct

The direct path for integration involves connecting your technology platform straight into your ecommerce or retail platform. It is the fastest method of connection, often utilizing a pre-built platform connection.

The advantages are that it allows retailers to take advantage of speed-to-market and agility by having a single lightweight integration handle all of the data (i.e products and orders). For retailers with more complex workflow and distinct systems of record for ecommerce, a custom implementation is likely a better option.

Custom

As the name suggests, custom activations involve scoping the systems and processes each retailer uses today and building the tech platform into these processes. It means identifying the systems of record for products, inventory, orders, fulfillment & invoices. Typically these systems are Product Information Management (PIM) and Enterprise Resource Planning (ERP) systems, but they can also be a retailer's ecommerce platform.

Your tech platform is then integrated with these systems, pushing and pulling data from the appropriate systems on pre-defined cadences to match your business goals.

The most common is to sync product information to your PIM and order information from your ERP.

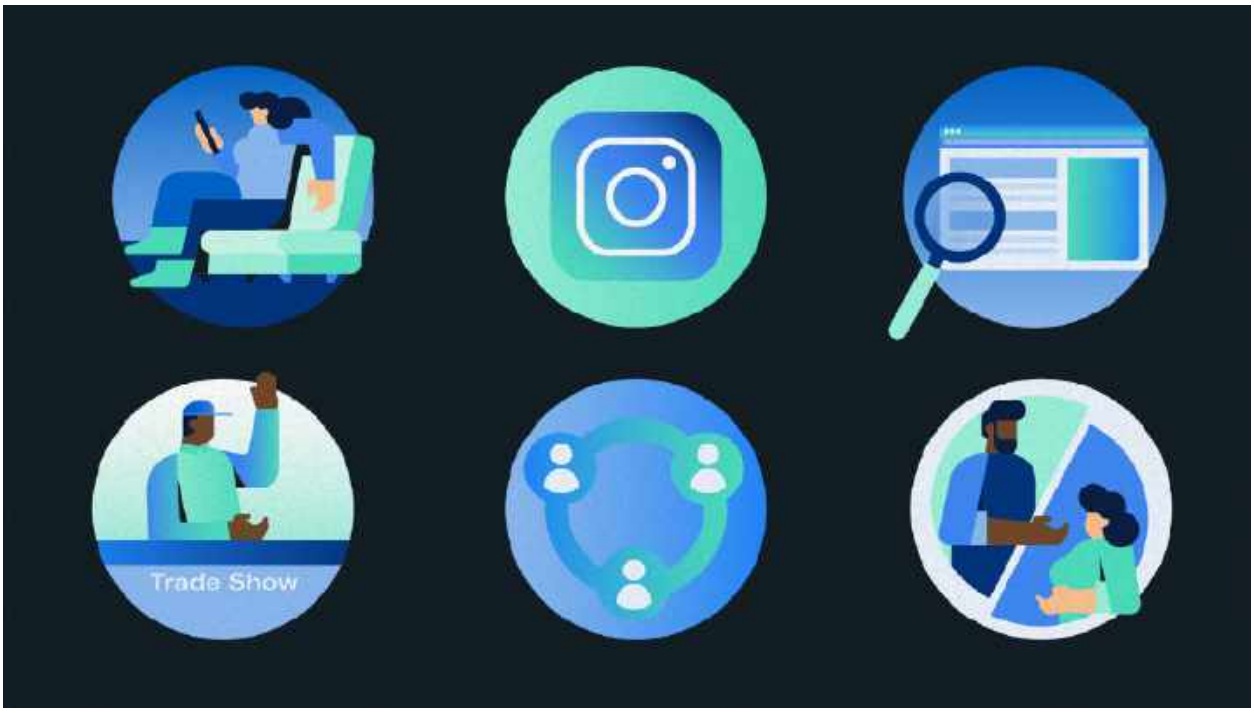
Chapter 6
Source your suppliers

Your sellers are the bedrock of your dropship program. If you aren't able to source high-value sellers that your customers gravitate towards, it doesn't matter that you're using dropship to fulfill their orders.

Sourcing is a nuanced topic that often gets glossed over when a retailer launches their dropship program. It's easy to assume that sourcing for dropship is similar to sourcing brands for wholesale or other supply models. While they share similarities, there are a few key differences that are worth pointing out.

In this chapter, we'll share strategies your brand partnerships specialist can use to find emerging brands that align with your dropship goals. We'll also share tactics you can use to increase your success rate with convincing brands to join your dropship program.

Find suppliers that match your criteria



The first step to sourcing brands is to find them.

Here are a few ways you can discover new and emerging brands for your store:

1. **Your customers**
   Survey your customers in exchange for store credit to find out which brands they'd like to see on your store. This will save you a lot of time in prioritizing which brands to pursue — if your customers have mentioned a brand several times in your survey, it's easy to decide to add them to your sourcing list.

2. **Instagram**
   New DTC brands go all-in on social media for their first go-to-market push. Visiting a brand's Instagram page can help you discover other new brands by checking Instagram's suggested account recommendations.

3. **Brand discovery sites**
   Platforms like Thingtesting, Consumer Packaged Goods Directory, and The Quality Edit list emerging brands for customers to discover. You can also leverage these to find new brands in your target categories.

4. **Trade shows and events**
   Trade shows like Expo West give you the opportunity to interact with brands and their executives in person so that you can interact with their products and gauge whether they would be a good fit for your store.

5. **DTC brand communities**
   Social communities like DTC Fam and Indie CPG give you access to founders and operators of emerging brands so that you can network and build relationships with them before you reach out for a partnership.

6. **Your competition**
   If your competitor has merchandised an emerging brand on their site, you can reach out to that brand and offer more competitive margin alongside a distinct customer audience to them as a way to convince them to partner with you.

In Chapter 4, we provided the criteria that contributed to your Ideal Seller Profile (ISP). When you're sourcing brands for your dropship program, your ISP should guide which brands you choose to partner with.

Prior to reaching out to a brand, you can use your ISP to filter out brands that aren't a good fit. If a brand falls outside your ideal price point, isn't the right brand age, or doesn't share your brand values, then it's clear that it may not make sense to reach out to them for a partnership.

Once you've made an initial list of brands to reach out to, you're ready to start your outreach.

Pitch suppliers to join your program

The goal of every outreach process is to get your prospect's attention and get them into conversations with you. The same is true for retailers and brands. A successful new brand is inundated with messages from customers, vendors, and other retailers. You need to pitch them so that they're excited to partner with you.

A concept we use internally to discuss this is **Supplier Appetite**. A supplier may have a low appetite to work with you if they don't understand the opportunity that comes with partnering with you, or if the opportunity doesn't align with their expectations of a retail partnership. You can't control the latter, but you can control the former.

Here's how:

1. Gather metrics on your monthly website visits, your total social media following and social media engagement rate, and your email subscriber data (including open and click rates).
2. Show how your values align with the values of your target brand and how you can tell a shared story to your customers.
3. Share 1. and 2. with each brand.

After you've got a brand's interest in a partnership, you can use ISP criteria like your shipping and margin requirements and your annual revenue thresholds to gauge whether a partnership is feasible for you and the brand. Some brands may decide to join after some negotiation, while others may partner with you immediately. You should be prepared for both scenarios and have clarity on how much negotiating room you have before making a decision on each partnership.

One final note on negotiating with brands is product and SKU selection. When you're partnering with a brand for dropship, you won't be listing all their products on your store. We recommend starting with a few products to test your partnership and get traction with your customers before expanding your relationship and adding more SKUs.

Chapter 7
Onboard your suppliers

Onboarding your sellers is as critical as sourcing them, if not more. The quicker you can get sellers live on your store and receiving orders from your customers, the more trust you can build with them so that they remain a partner.

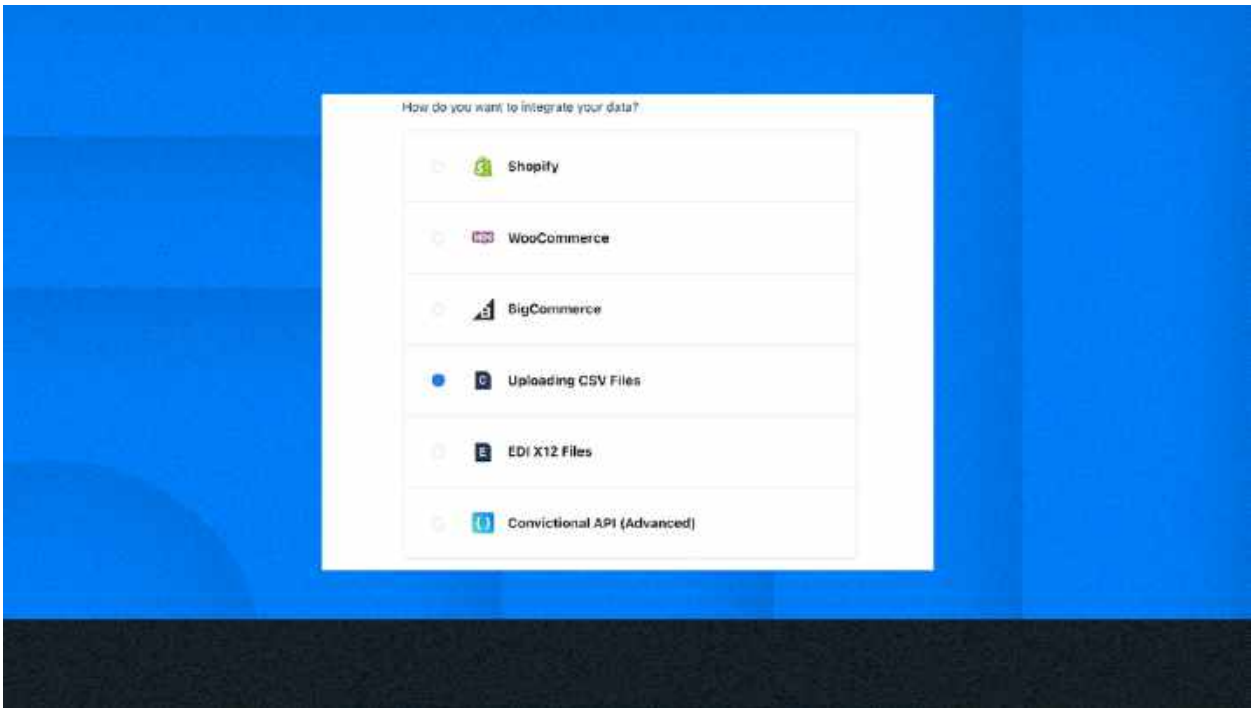
As we've mentioned before, EDI-based B2B trade platforms fall short here. **The average onboarding time with an EDI integration is three to six months.** This extended wait time is often detrimental to your brand relationships — we often see brands churn when they can't integrate with retailers quickly. On the other hand, supplier enablement platforms like Convictional help brands integrate with your store in 4-7 days on average.

Seller onboarding is a multi-step process and it's worth breaking down these steps to give you a sense of what it entails.

1. Connect sellers with your tech platform

Sellers begin their onboarding process by connecting their store data with your tech platform.

At Convictional, sellers can integrate their data in six different ways: Shopify, WooCommerce, BigCommerce, CSV, EDI x12, and the Convictional API. Each of these integration methods are easy to set up and our Shopify, BigCommerce, and WooCommerce integrations take minutes to complete.



2. Have sellers accept your dropship program policies

Before your sellers can take any action in your trade platform, it's important that they review your program's policies and accept them so that they're aware of how to operate within your program.

You could do this over email, or you could use Convictional to automatically share your agreements with sellers and collect their signatures with HelloSign. Another benefit of sending your agreements through Convictional is you can see which sellers have signed it and which haven't and you can send reminders to the sellers who need it. If you went down the email route, you would have to email all your sellers and have to manually filter among them.

3. Sync product and inventory information

After sellers have accepted your program policies, they're ready to sync their product information with your store through your B2B trade platform.

An example of how your sellers will sync their products is in Convictional's Products page. Sellers can toggle which products they want to sync with your store. Inventory data for each product flows from their ecommerce store directly to your Convictional view.

4. Receive price lists from your sellers

Every product that's synced from your seller to your store needs a price that you can display to your customers.

Sellers can create custom price lists for their products that include your dropship margin. After they're assigned, you can control the final price that's displayed on your store.

5. Set up billing information

Modern platforms like Convictional have the ability to process payouts for sellers instantly, instead of monthly invoicing.

Sellers can set up an account with Stripe (if they don't have one already) and start processing payouts from you for each order. If you want to stick to monthly invoicing with a seller, however, you can accommodate that as well.

That's it! After completing these steps, your dropship sellers are ready to accept orders from your store.

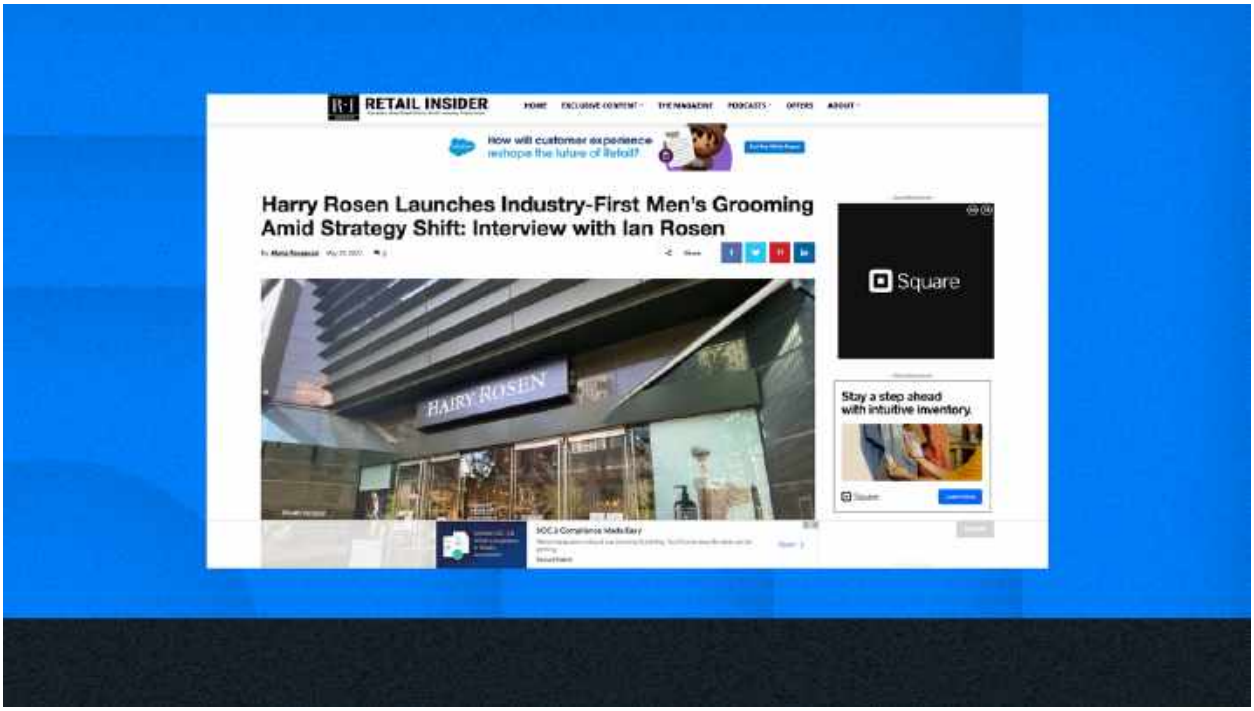
Chapter 8
Launch your dropship program

Congratulations on making it this far! By this point, your dropship program is ready to launch. The only thing left to do is to tell everyone about it.

Here are a few marketing tactics you can use to plan for a successful launch:

1. **Leverage press releases to get the word out**
   Share a press release on the addition of your new product category and pitch exclusives to publications to feature the news. Focus on the new brands that are a part of the category launch and offer interviews with their founders.

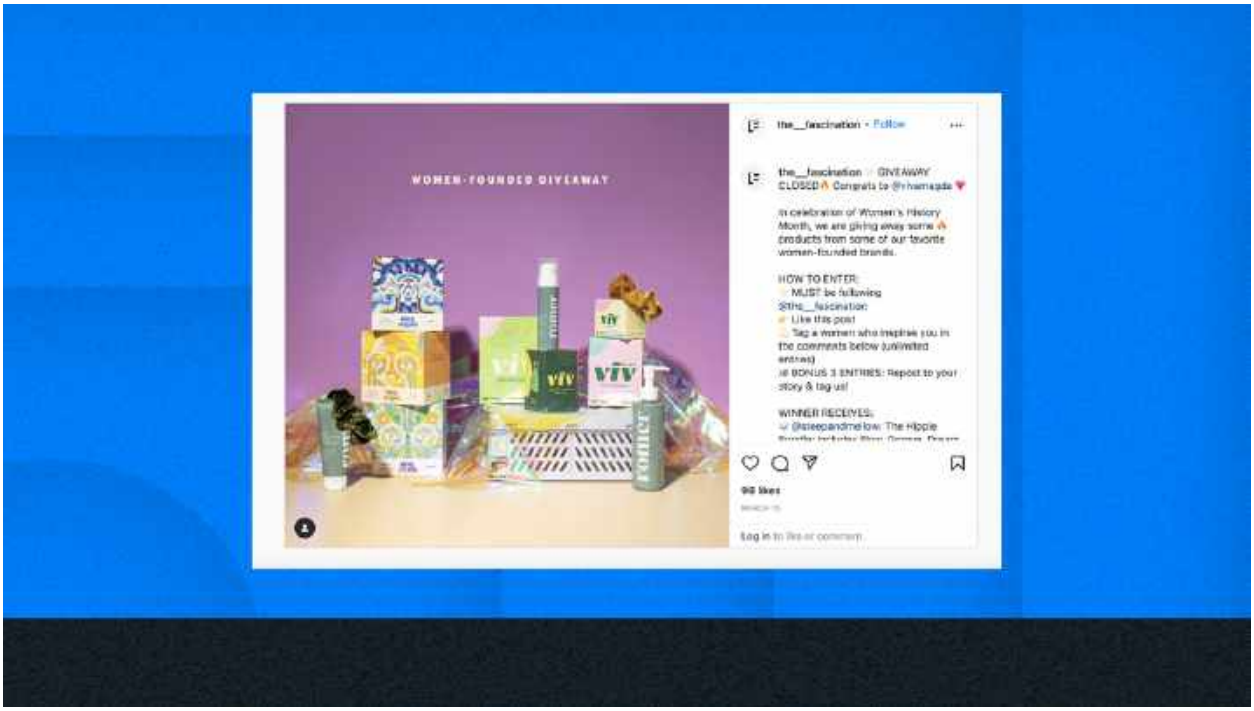
   Harry Rosen's grooming category launch was promoted by a video series featuring well-known Canadian personalities such as Devo Brown and Aaron Heels. They also modified their logo on their storefronts to read 'Hairy Rosen' as a fun way to share the news about their grooming product category. The news was picked up by multiple Canadian media outlets during the week of their launch.



2. **Design a launch promotion and spread the word with your partners**

   Provide an exclusive discount for your partner products during the week of your launch and work with your partners on co-branded creatives that they can distribute on their email and social media channels. The Fascination regularly designs launch promotions in partnership with its brands.

   For example, for Women's History Month, they debuted several women-founded brands on their store. To promote it, they rolled out a giveaway on Instagram.



Chapter 9
Conclusion

Dropship is an essential part of the modern retail strategy. We hope you have a thorough understanding of what you need to do to launch your dropship program successfully.

Tech platforms are key to a successful dropship program launch, but not all of them are made equal. Platforms that are supplier-centric will speed up your supplier onboarding and make you a more desired business partner to work with.

If you're designing your dropship program and are looking for a trade platform for your suppliers, Convictional can help! Get in touch with our sales team to get started.

Questions?

Like we mentioned in the introduction to this guide, we will be making updates based on what we learn from our customers and your feedback. If you have a question that we didn't cover, email Nikhil at nikhil.venkatesa@convictional.com and we can answer it in updated editions of this guide.

ABOUT CONVICTIONAL

Convictional helps enterprise retailers onboard, integrate, and transact with curated third-party suppliers. Powerful API-based infrastructure allows buyers and sellers of products to automate trade no matter their integration preference, including API, EDI, and native platform apps.

To learn more about Convictional, check out our website at convictional.com. You can also stay in touch with us on Linkedin and Twitter.