

Explained:
Dropshipping
Business
Model

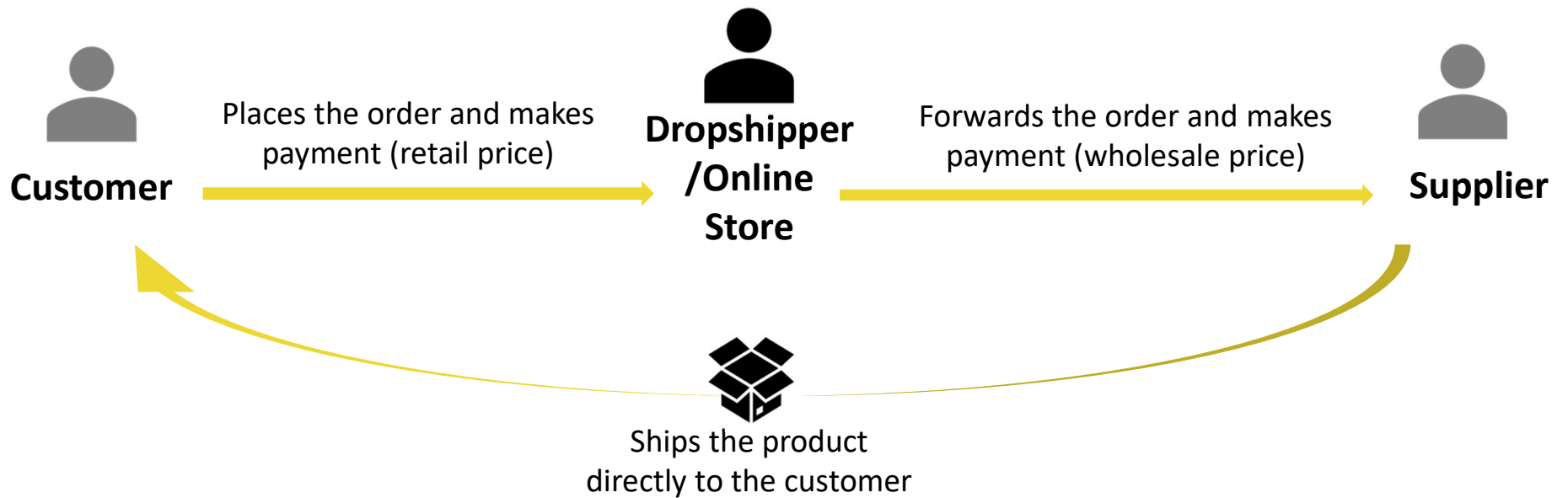
What is Dropshipping?



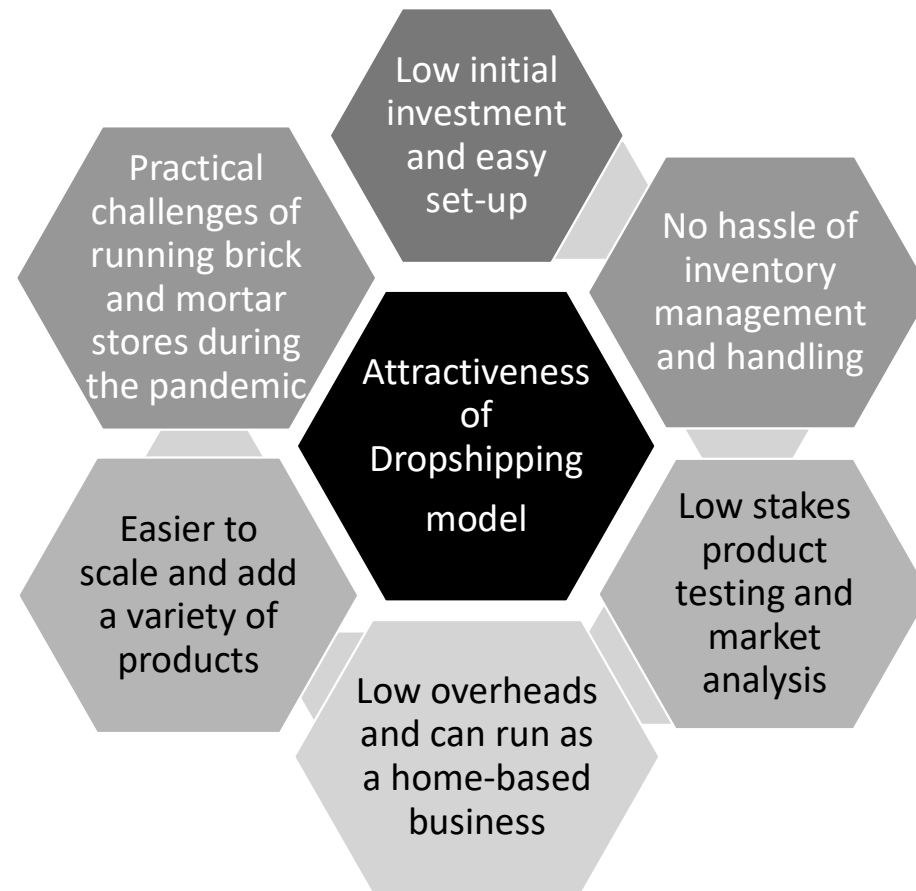
In other words, the dropshipper **lists the products** of the supplier on their website and every time a customer **places an order**, the dropshipper **forwards the order** to the supplier who then directly **ships the product** to the customer.

The dropshipper never owns/handles the inventory.

Dropshipping – Parties Involved



Why Dropshipping?



Explained: Dropshipping Business Model

Challenges faced by Dropshippers

Profit margins	While the investment is low, the profit margins too are razor thin. Dropshipping can be profitable only when done at a sizeable scale.
Quality Control	As the dropshipper never handles the product, maintain quality of products can become challenging and may also damage the reputation of dropshipper.
Scalability	While it is easier to scale the business, in theory. In case of an exponential rise in demand, the suppliers/vendors may not be able to fulfil large volume of orders at the same pace.
Getting Overcrowded	Since the competitors also source products from the same suppliers, there is a lot of cost undercutting. This can be managed by entering into exclusive agreements with suppliers.
No control over the supply chain	Supply chain bottlenecks are harder to manage in Dropshipping than in traditional retail model. They can also make it difficult for the dropshipper to scale the business.
Product Liability	In case of intellectual property disputes/product quality disputes, dropshipper may be help liable. To prevent such a situation, a solid Dropshipping contract is a must.



Thank You.