



A Comprehensive Guide to

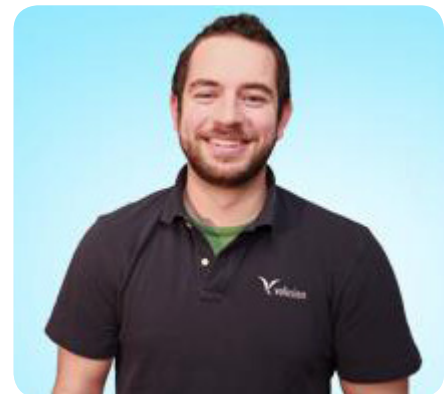
Choosing What Products to Sell Online

A Comprehensive Guide to Choosing What Products to Sell Online

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Connect with Matt



A Comprehensive Guide to Choosing What Products to Sell Online

If you're not sure what to sell online, but know you want to open an ecommerce site, you've come to the right place – this guide is designed to cover everything you need to know to pick the right products to sell online.

So you want to open an online store? That's great!

But wait. What products are you going to sell online? Where do you start when it comes to choosing these products? Even more, how do you get the products in your hands? Clearly, there's a lot to think about when making this decision, as it lays the foundation for your online success.

Fortunately, all you need is a little guidance, which is why we put together this comprehensive guide – to make sure you're equipped to choose the right products to sell online.



Sit tight, because we'll be covering quite a bit of material. Whether you read the entire guide, or are just looking to reference specific sections, feel free to print this out, bookmark it and/or share with your social networks.

Here's what we'll be covering in this guide:

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Let's get started, shall we?

Why is it so important to strategically select what products to sell online?

While your online business is the sum of many parts, each part is directly affected and influenced by the type of products you're selling. This means that without a solid product line, your business faces an uphill battle before it even starts.

It's true that deciding what products to sell can be rather difficult, as there are literally millions of options to choose from. Not only that, you need to ensure there's a market for your products and that you can actually make money from selling them. (After all, we're all in business to make money, right?)

Even more, the products you sell are a prime factor in shaping other details that impact your online business. For example, if you decide to sell refrigerators, how will you ship this massive item across the country? Or, if you're selling wine, what legal restrictions do you face when selling to different states and geographies? Are there any additional taxes that need to be paid?

At the end of the day, the products you sell online directly impact the following:

- **Pricing:** How much will you charge your customers? How much does the product cost to you?
- **Target audience:** Who do you want your customers to be? The type of product, along with its price point, will be a key factor in deciding your target audience for marketing efforts.
- **Branding & design:** If you're selling auto parts, you probably wouldn't want to give your website a pink background and frilly logo, right? Your brand should reinforce your product line, so make sure they match well.
- **Marketing:** The marketing outlets you choose, along with your marketing budgets, are dependent on your target audience, which is fully determined by your product offering.
- **Your sanity:** Keep in mind that you'll be spending lots of time with these products, so only sell something if you find it interesting and won't get bored with it soon.

As you can see, figuring out what to sell online is a decision that shouldn't be taken lightly. That's why conducting thorough market research is so important, of which we'll talk about now.

What type of market research should I perform before deciding what products to sell?

While you may feel intimidated by the thought of conducting market research, you really shouldn't be. In fact, this exercise is a great way to enhance your business, as it gives you a better understanding of the overall competitive landscape and unveils important customer insights. And while you won't have to create massive spreadsheets with pivot tables to guide your decision (bonus points if you do), using market research to help confirm your product selection only increases the chances of you launching a successful online business.

Here are some areas to investigate when figuring out what to sell:

Market trends

If you already have an idea of what to sell online, start by seeing how well your idea is already performing. Or, if you're unsure of what to sell, look at new trends to help inspire your decision. Keeping your finger on the pulse of the marketplace helps you gauge demand and recognize the various needs of your market.

Here are some quick resources to begin your research:

- **Newspapers and magazines:** Look at the lifestyle section of major newspapers and thumb through advertisements of popular magazines. If companies are paying big bucks to advertise these products, they've likely already identified a demand for them.
- **Trade journals:** If you're looking to sell products that pertain to a specific industry, take a look at publications that are unique to that industry. Doing so will help you gather insights into what products and trends are popular with that market.
- **Product directories:** Go online to see product listings for various drop shippers and wholesalers. These directories often have a wide selection, with filters, to help you isolate different product ideas. Even more, most include product photos and pricing information to give you a better idea of what you'd be selling.
- **Other stores:** On your next shopping trip, step into retail stores that sell similar products to your idea. What items are they promoting? Then browse various ecommerce sites to see which products they're featuring and have the most positive customer reviews.

Target audience

Once you have a better idea of what to sell, you'll then consider who you're selling to, also known as your target audience or target market. Having an early understanding of your customer base helps you form pricing decisions, plan marketing strategies and establish your brand story. For example, if you're selling luxury handbags, the traits and characteristics of your target market would be much different from someone selling motorcycle equipment.

Try to figure out the following information about your audience:

- **Basic demographics:** Demographics are statistical characteristics of a certain population or audience, such as age, gender, ethnicity, employment status, etc. Identifying the demographics of your target audience helps you better understand potential commonalities with this group.
- **Psychographics:** Unlike demographics, psychographics move away from basic traits and focus on interests, activities, personalities and more. Once you understand the attitudes and behaviors of your target audience, you'll be better equipped to appeal to their wants and needs.
- **Price sensitivity:** Do the prices of the products you plan to sell fall in line with the budgets of your target audience? In other words, do your products force you to focus on high-end customers, more economical shoppers or somewhere in-between?

Competitive landscape

Unless you're selling something revolutionary, there will be other websites that sell very similar, if not the same, products. This means that you need to have a firm understanding of your competition, that way you can stand out from the crowd while ensuring you're on par with the rest of the industry.

To begin your [competitor analysis](#), try these approaches:

- **Make a list of competitors:** The first step is identifying who your competitors actually are. You can do so by performing a basic web search for the products you intend to sell. From there, you can see what other businesses exist in your space.
- **Visit their websites:** By visiting your competitors' ecommerce sites, you'll get a quick glimpse into the products that they prominently feature, along with information on their price points, branding, customer reviews, etc.
- **Categorize your competitors:** Once you have your list together, break it into logical categories. For example, you'll have direct competitors that offer the same products as you, and larger competitors, such as big retail sites.
- **Sign up for their emails:** If your competitor has a place to subscribe to their emails, go ahead and do so. This allows you to see what promotions they're running, and on which products. If they don't have an email signup, try referencing their social media channels instead.

The main idea here is to understand how your competitors are pricing and presenting their products so you can find a balance between meeting industry standards and differentiating your products from everybody else.

Niche market vs. general market

No matter what type of product you choose to sell online, you'll be facing some pretty stiff competition from major retailers in your industry, including big ecommerce sites like Amazon. And while your online store can definitely succeed despite this competition, you might opt to target a niche market instead.

In a nutshell, a niche market consists of a much smaller population of a general audience for a product. For example, instead of selling socks to everyone, you could focus on selling socks that are specific to those affected by diabetes.

Although niche markets are comprised of a much smaller pool of customers, these shoppers tend to be much more involved with the products you're selling. Even better, they can be easier to reach and engage with, especially through targeted niche marketing efforts. For example, although there aren't swarms of Star Trek fans out there, Trekkies are extremely engaged with the Star Trek brand, often buying large amounts of memorabilia, attending conferences and participating in user forums.

Breadth of product offering

This part really boils down to one question: how many products will you be offering in your online store? This number could range from one or two to thousands, which makes a big impact on the time and effort placed into building your site. Depending on what you're selling, you'll want to research the breadth of products that are available to you, including whether you'll be offering any additional accessories or variations, known as product options.

Product costs

As with most things in life, securing your inventory will come at a price. That's why determining the cost of sourcing your items is another important component in choosing which products to sell. Naturally, the cost of getting your products will be a big factor in the price you charge your customers, of which we'll cover later in this guide.

For most merchants, there are typically three ways to obtain products, with varying costs associated with each:

- 1. Self-made products:** This approach is common for many craftspeople or hobbyists, or those who uniquely create products on their own. The primary product costs in this situation include the purchasing of materials and the storage of inventory, along with any labor and shipping costs.
- 2. Drop shipping:** Acquiring products from a drop shipper allows you to sell products without storing inventory. In this arrangement, your product costs will often involve "drop fees," along with any monthly or transactional fees incurred by your product supplier.
- 3. Purchase products outright:** You can also purchase products directly from a manufacturer or wholesaler. If you choose this option, your product costs will include the price of acquiring the product, the cost of storing it as inventory, as well as any upkeep and shipping.

While there are lots of areas to consider when it comes to market research, embrace the opportunity to learn as much as you can about your products' marketplace and overall industry. Doing so will only improve your chances of successfully selling online – as they say, knowledge is power.

All right, now that you've taken the big step in deciding what products to sell, it's time to figure out how you'll actually obtain those products.

How do I go about obtaining the products I'm selling online?

The next step in picking what products to sell online involves getting the products in your hands so you can sell and ship them to your customers. Depending on how you go about it, you could potentially never touch or see the products you're selling. On the other end of the spectrum, you can fully manage your inventory by storing it in a warehouse (or even your garage).

Regardless of choice, take into consideration the upfront and ongoing communications with your product provider, whether it's a manufacturer, drop shipper or someone else. Even more, think about how that relationship will continue to work as your business grows. As mentioned in the previous section on market research, there are three common ways for online business owners to source their products.

Take a look at the explanations below to help find which option best suits your needs:

Make the products yourself

This is entrepreneurship in its most basic form: you have a talent for crafting a product, and then you sell it to customers who have a similar appreciation for your work. This idea dates back centuries, including food growers, blacksmiths, artisans and more. Fortunately, thanks to the digital revolution, you can now sell your handcrafted goods across the world, all from the comfort of your living room.

When creating products on your own accord, you have full control and flexibility regarding the amount of products on your shelves, as well as their pricing. On the other hand, you're also fully responsible for storing your inventory and ensuring that the items are shipped correctly. Common items in this category include crafts, jewelry, art and customizable products.

Even though you may be making your products, there are still some important business factors to consider, including:

- **Who are my suppliers and how do I obtain the product materials I need?**
- **How much do these materials cost, and how does that impact my pricing?**
- **How much time does it take to make each product?**
Can I make them fast enough to meet demand?
- **What partners will I use to help ship my products?**
How much will that cost and what's the process involved?
- **If offering made-to-order products, what's the communication process with my customers?**

The good news about creating your own products is that you don't have to worry as much about managing multiple relationships with multiple vendors – again, you have full control over your ecommerce destiny. The main thing to keep in mind, however, is that you'll be wearing two very important hats: a craftsman and a business owner. Those roles often take two very different mentalities, so be excited to tackle both!

Acquire products from a drop shipper

Remember, choosing the right products to sell online involves finding the right mix of products that you can buy, sell and ship easily (and profitably). If you don't have the ability or desire to create your products, or you prefer not to work directly with a manufacturer to acquire inventory, you might consider using a drop shipper.

At a high level, drop shipping allows you to list products, take orders and pass those orders to your drop shipper. At that point, the drop shipper packages the item sold and ships it to the customer who ordered it. In most cases, the customer thinks the product came directly from your store and doesn't realize that a drop shipper was involved.



Drop shipping has become a common practice with ecommerce merchants because of the following benefits:

- **Low risk:** You pay for a product only after you sell it, so you only risk what you have tied up in listing the product for sale
- **With drop shipping,** you never have to touch the product, which means you don't have to pay for storage, manage a warehouse or have products cluttering your garage
- **No packing and shipping hassles:** Drop shipping allows you to outsource your shipping departments to your vendor, many of which also process returns for you
- **Wider selection:** Using a drop shipper with your online store affords you unlimited shelf space, which means you can offer a wider selection of products that vary in size and weight

If you decide to use a drop shipper, there are two main options to consider: working with individual drop shippers, or using a drop ship aggregator that has established relationships with numerous drop shippers.

More online retailers are turning to drop ship aggregators, because they offer the following benefits:

- **Bigger product catalogue:** Using an aggregator allows you to access a product selection containing upwards of one million products from hundreds of individual drop shippers
- **Simplicity:** You have one drop ship aggregator to deal with, as opposed to managing separate accounts with numerous drop shippers
- **Lower cost:** A drop ship aggregator often has more leverage than you to negotiate prices with individual drop shippers. This power can often more than offset the fees an aggregator charges.



If you're looking for a specific drop shipper, one of the biggest names in the industry is [Doba](#).

Purchase products directly from a manufacturer or wholesaler

If you prefer to have more control than with a drop shipper, but don't have the desire or means to make the products you want to sell online, then purchasing products directly from a manufacturer or wholesaler might work best for you. In this situation, you'll need to establish a relationship with a manufacturer that makes the products in bulk, or with a wholesaler who resells products at a discount for you to then sell on your online store.

Whether you're working with a manufacturer or a wholesaler, here are some basic tips to help get started:

1. Find a manufacturer or wholesaler that offers your product: The first step is simple: find a manufacturer/wholesaler that provides the product you want to sell. The easiest way to go about this is conducting a web search to browse through your list of options.

2. Get in touch with the company to gather information:
Next, contact your top picks to learn more about how the process works. Key things to identify include: pricing (and if a bulk pricing option exists), payment preference (invoice or credit card), shipping capabilities (if they ship products to you or if they'll ship to your customers) and contracts (length of terms, cancellation, etc.).

3. Compare your options and make the best decision: Once you have all the necessary information, compare notes to see which offers the best option for you. Beyond cost, you might also consider customer support and ease of communication with your manufacturer or wholesaler.

Once you've got a solid relationship established with your manufacturer or wholesaler, keep in touch with them to stay informed of any product changes, such as the removal of a certain product from a line, potential discounts, etc. After all, even though you're sourcing your products from a third party, you're still accountable for your business decisions!

At this point, we've strategically selected the best products to sell online by conducting thorough market research and finding the best way to source our inventory.

Now comes the fun part – creating a pricing strategy that keeps your online business competitive and profitable.

How do I establish prices for my products?

One of the biggest mistakes you can make when launching your online business is to ignore the pricing of your products. Far too often, online retailers arbitrarily set their product prices, or even worse, base their decisions solely on what their competitors are charging. The problem with this approach is that you're not factoring in various costs and other offerings that are unique to your business. In a worst case scenario, this can lead to you not making enough money to cover your operational costs.

That's why it's so important to put some thought, and yes some math, behind your pricing decisions. So get out your calculators, because it's time to walk through the four-step process of how this works.

Step One: Calculate your overall product cost

Before settling on a price, calculate the overall product cost, or breakeven point, by adding all of the costs associated with your product, such as product costs, shipping fees and more.

Here's an example for a product you might be offering:

Product cost:	\$5.00
Shipping fees:	\$1.00
Credit card processing fees:	\$0.25
Listing fees:	\$1.25
Labor:	\$0.25
Overall Product Cost:	\$7.75

Step Two: Account for your revenue goals

After you determine how much you need to break even on a product, the next step is to decide the profit you need to earn on that product to meet your overall revenue goals. To do so, take the following steps:

1. Set your monthly net profit goal for the sale of all products

For example, let's say you want to earn \$10,000 a month profit off your entire product line.

2. Break down your monthly net profit goal into monthly net profit goals for each product

Continuing with this example, if you're selling four products total, you may have a goal of \$2,500 profit per month for each product to contribute toward your overall goal of \$10,000/month profit.

3. Estimate the total number of each product you expect to sell per month

Do you expect to sell 250, 500 or 1,000 units?

4. Divide your monthly net profit goal for each product by the total number of product items you expect to sell per month

For example, if you want to earn \$2,500 on the sale of 500 items, $\$2,500 \div 500 = \$5/\text{item}$

5. Add the profit per item you found in Step 4 to the overall product cost you previously calculated

Let's say that a product's total cost is \$7.75, and you need to earn \$5 per item to meet your revenue goal.

This means, that to meet your net profit goal for this particular item, you need to sell it for no less than \$12.75 ($\$7.75 + \$5.00 = \12.75).

Step Three: Compare your prices to the competition

Once you strategically set the prices for your products, you should be in good shape as far as your business needs are concerned. However, you should also know that shoppers often find the product they want online and then search elsewhere for the best value.

This means that you should investigate competitor pricing by looking at some of the following sources:

- **Similar websites:** Search for websites that sell similar products and take note of their prices – are you on par with them, or way above/below?
- **Comparison shopping engines (CSEs):** CSEs are like search engines, but for products. Some of these include Google Product Search and Nextag. When you arrive at one of these sites, simply search for the product you're selling to see a wide range of competitor price points.
- **eBay and other auction sites:** Spend some time on these sites to browse for your products, taking note of how much similar items are selling for at auction.
- **Major retailers like Amazon:** While you're clearly a much smaller business than these ecommerce giants, give them a visit to have a general gauge of the prices you're going up against.

Once you have a better understanding of how your prices compare with the competitive landscape, you'll be able to better position your products or make any necessary adjustments.

Step Four: Consider your business value and customer base

There's much more to making a purchase than price – after all, not all shoppers are made alike, and not all businesses offer the same level of expertise and service.

That's why, when setting your product prices, consider these additional factors:

- **Customer motivation:** What motivates your customers to make a purchase? Are they more concerned about price or dealing with a reputable business? Are they purchasing a “money-is-no-object” status item? Are they willing to pay more to get better service after the sale?

- **Your value-add:** Customers purchase more than just a product; they purchase an entire experience. Think about what value your business adds beyond the product itself. For example, you might offer stellar customer service, free returns or other educational/training resources. If you’re providing an extra something that your competitors aren’t, don’t be afraid to charge for it.

Pricing is admittedly an art and a science that can seem overwhelming at first, but never fear – it’s not as complicated as it sounds. Just remember that the time and effort it takes to diligently set your prices will help you immensely over the course of your online business. By avoiding the two common mistakes of underpricing and overpricing, you’ll strike the necessary balance of meeting your revenue goals, all while being seen as a valuable and viable online retailer by your customer base.

Conclusion

The products you choose to sell online are the ultimate foundation for your ecommerce operations. Each and every business decision you make, including website design, marketing communications and operational costs is heavily influenced by your product line. This makes the diligent selection of your wares extremely important, especially in the formative stages of your online business.

In other words, instead of casually picking products that you find interesting, consider the factors we’ve discussed in this guide: Who is your target market? Is there a demand for these products? What are my associated costs and pricing?

While it’s understandably tempting to just dive into your new online business venture, take the time to sit back and think strategically about what you’re selling – it truly can make the difference between a business that just treads water and one that knocks its profitability out of the park.

We wish you the very best of luck in opening your new online store. If you have any questions, we’re always happy to help, along with getting you started with a [free trial of Volusion’s award-winning ecommerce software](#).

And if you liked this guide, please share it with your networks – I hope you found it helpful!

Happy selling!



Open a successful online store

Volusion gives you everything you need to build, manage and grow a successful online business. Whether you're an ecommerce novice or seasoned online seller, you'll receive the ultimate set of business tools, including your own fully-hosted website, effective marketing tools, user-friendly web

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