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BONUS

SPECIAL REPORT



**How to Find Secret
Wholesale Sources within
50 Miles of Your Home**

By Skip McGrath

How to Find Secret Wholesale Sources within 50 Miles of Your Home

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Introduction

Everyone who wants to make money selling on eBay is looking for that special wholesale source that no one else has – but sometimes that wholesale source can be right around the corner from you. That's right – you can actually make money buying at Wal-Mart, wholesale buying clubs like Sam's Club and Costco, and factory outlet stores. Don't laugh! I have done it, and it is being done by large eBay sellers every day.

Just a week before I started writing this special report, a friend of mine in Salt Lake City who is a Gold-level PowerSeller bought ten pressure washer machines at Big Lots. He paid \$215 for each machine and got between \$304 and \$372 for each one on eBay.

I have another friend who is a county sheriff. He works the night shift and he makes an extra \$500 - \$1000 a month buying stuff from Wal-mart and selling it on eBay. That may not sound like getting rich on eBay, but it is a hobby business for him and he only spends 8 to 10 hours a week doing this. Not bad for a hobby.

I didn't write this report to suggest you make this source of products a full-time business. Although you could, frankly it's a lot of work to source products this way, but this is a great way for someone to get started on eBay, to use as a source to fill out your income, find products to upsell, or to just take advantage of hot trends to put a little extra money in your pocket.

Let's look at each category and how you can use it to source products:

Buying at Wal-Mart

Personally I hate going to Wal-Mart. You can really save a lot of money, but the stores are so big it takes forever to find stuff. But millions of people shop at Wal-Mart and hundreds of eBay sellers use Wal-Mart as a wholesale source. It is a little-known fact, but Wal-Mart will even drop ship products for you – although you may want to be careful with this strategy. I will explain why below.

There are two ways to buy at Wal-Mart: You can buy online, or walk into the store. The trick to finding merchandise at Wal-Mart is to look for the clearance tables in each department or to find hot products that are in demand elsewhere.

Buying at Wal-Mart Stores

Every year there are several hot toys that are in short supply in or near major cities. This year (2006) Barbie's are coming back and the new TMX Elmo and Baby Alive toys are already in short supply in some cities. Every year as we near Christmas I see really hot toys selling on eBay for as much as two or three times their normal retail (MSRP) price.

What is interesting is if you go to a Wal-Mart in or very near a major city they will be out of stock on the popular toys. But often if you drive 30 or 40 miles into a rural area, the Wal-Mart there will have plenty of them.

Before Christmas isn't the only time of year you can do this. This phenomenon also happens with other hot products during various times of the year. Every once in a while there is a really hot product that comes out and is immediately in

short supply. The trick here is that you have to be nimble. These openings don't last long – sometimes just a few weeks.

The clearance table is the other source of goods and these are year-round. The trick is you have to go into your local Wal-Mart every week and preferably early in the morning. Last year I walked into our local Wal-Mart one day at 2:00 in the afternoon. They were selling new emergency weather radios on the clearance table for under \$6.00 with the \$29 price tag still on them. I bought all six that were left. The associate at the electronics checkout counter told me that they had put over 100 of them out that morning and these six were the only ones left. My wife and I sold them on eBay for between \$18 and \$25 each – a profit of between \$12 and \$19 each. If I had got there early and bought all 100 radios I would have realized a profit of between \$1200 and \$1900.

My son did the same thing with a radar detector. He actually went to Wal-Mart to buy a single radar detector for his sports car. When he got there he saw the model he wanted had just been replaced by a new model, and the old models were on a clearance table. They were \$99 MSRP detectors that Wal-Mart had been selling for \$79 and were now on the clearance table for \$39. He bought three of them. He kept one for his car and sold the other two on eBay and actually got \$72 for one and \$69 for the other one.

This is not unusual. These deals come up at Wal-Mart's regularly. Wal-Mart's get new products shipped in every day and if something is moving too slow they just put it on sale to blow it out quickly. It is not unusual for them to reduce an item's price by as much as 50% to 75% even though that same item is still selling at other stores.

Wal-Mart Online Affiliate Program

Did you know that Wal-Mart has an online shopping site and an affiliate program? As an affiliate you can earn 12% commission on each sale. Here is how this works. Go to Wal-Mart Online and sign up for the affiliate program (http://www.walmart.com/affiliate/aff_home.html).

Now look on the web site for specials you can sell on eBay. Again, a lot of hot products are selling on eBay for more than they are selling at Wal-Mart online. When you sell something, simply place the order through your affiliate link. You will get the difference between what you paid at Wal-Mart and what you sold it for on eBay, plus another 12% at the end of the month when Wal-Mart pays their commissions. Here is the page to read more about the affiliate program and to sign up: <http://www.walmart.com/catalog/catalog.gsp?cat=415411>

Two words of caution:

1. There are a lot of sellers doing this but they all have poor feedback. Why? Because if someone pays you XX dollars for something and then notices when they get the package it was shipped from Wal-Mart, some of them get upset when they realize they could have just gone there themselves. I know one seller who sells over \$2,000 a month worth of Wal-Mart drop shipped goods. His feedback is now about 92%, yet he stills sells every day.
2. As with any drop shipper there is always the problem that the item will be gone (out of stock) by the time you sell it. This can also earn you a negative feedback if you can't ship and have to return someone's money. So if you are

using this selling method, I would run shorter auctions such as 1-day or 3-day unless you are selling a product that is always in stock.

If you are going to sell by using Wal-Mart as a drop shipper, you should have a separate eBay account because you don't want your main selling account hit with negative feedbacks.

Factory Outlet Stores

I get emails from readers all the time asking me where to find the source for famous-name brand consumer products, clothing, and accessories. Many people new to eBay think there is some secret source that only the large power sellers know about. The truth is that almost all of the new goods of this type on eBay come from two sources; large liquidation dealers and factory outlet stores. We covered liquidation (closeout) dealers in *The Wholesale Buying System*, so let's look at the factory outlet stores here.

A factory outlet store is a retail store owned by product manufacturers where they can dispose of excess merchandise that they couldn't sell to wholesale distributors. Although factory outlet stores have been around for years, they have seen rapid growth in the past five years.

Outlet stores are usually located in large outlet malls. These are becoming more and more popular. A very large upscale mall just opened on an Indian reservation near us. It has over 60 stores including big names like Ralph Lauren, Nautica, Nike, Gap and Baby Gap, Gymboree, Sony, Brooks Brothers, Coach, Jones New York, Bose and many-many more.

Factory outlets sell the same products they sell in their downtown boutiques and department stores – but at anywhere from 20% to 60% less. Plus they have sales too just like other stores. Most factory stores offer mailing lists or email lists that you can sign up for to get advance notice of special sales.

A lady who lives near me is on the mailing list of the Coach¹ store. Every time Coach has a sale, she is there on the first day of the sale the moment the store opens. She will often spend between \$2000 and \$3000 on sale items and start listing them on eBay by that afternoon. If it is a good sale she can usually double her money.

I love Tommy Bahama clothing, but it is really expensive and the only Tommy Bahama factory outlet is in Primm, NV about 20 miles south of Las Vegas. When we were there last year, I spent \$200 for items that would have cost over \$360 had I bought them at Nordstrom's.

The silk Tommy shirts that sell at department stores for \$90 to \$125 were only \$45 to \$65 at the factory outlet –a 50% plus discount. While I was there I spoke with the sales lady who helped me. I asked if she had a lot of eBay sellers. She told me there were about a dozen regular eBay sellers who came in from time-to-time, but almost all of them show up when they have a sale. So I decided to try it.

In addition to the things I bought for myself, I spent another \$500 buying shirts, silk trousers and shorts (\$512.36 exactly according to my credit card receipt). They weren't on sale while I was there, but I still managed to turn the \$500 into \$841 in total eBay sales over a three week period after we got home. That is a profit of \$329 before eBay and PayPal fees. Had I been there when a sale was going on I would have made a lot more. The saleslady I dealt with told me that some of her eBay regulars spend as much as \$10,000 when they have a big sale.

¹ Coach sells very expensive handbags and other leather goods.

One day I was in the Jones New York² shop at our factory outlet mall looking for a birthday gift for my wife. We live very near the Canadian border. There was a Chinese woman who was buying about 50 pieces of clothing that were on sale. These were all good suits and blazers. I spoke with her and she said she takes them back to Canada and sells them on eBay Canada. I told her who I was and asked if she did very well. She kind of chuckled and said: “Well they know me pretty well. I come down here every month.”

Not all outlet stores are in the big malls.³ Here in Seattle we have a manufacturer of high-quality outdoor and expedition clothing called Outdoor Research. Their factory is just south of downtown Seattle in the industrial district. They have a little outlet store right next to the factory where they sell their overstocks and seconds. The seconds are items that have really small blemishes on them –nothing torn or damaged. But they sell them for as little as 20% of the retail price.

Four times a year they have a big sale. I am on their mailing list and try and make the sale if I have time. When I go there I run into the same people. Some of them are local shop owners who sell outdoor gear, but several of them are local eBay PowerSellers. I don't go that often anymore – but in 2004 I sold over \$10,000 worth of merchandise from Outdoor Research. I was making between 100% and 200% or even more on most of the items.

The nice thing about getting merchandise this way is that you don't have to invest \$5000 or \$10,000 at a time. You can start small with a few hundred dollars and just keep reinvesting your profits until you can make large buys.

² Jones New York sells high-end ladies business suits, blazers and other clothing.

³ Not all manufacturers have outlet stores in malls. If you know about a certain manufacturer, call them up or email them through their website and ask them if they have a factory outlet store.

In addition to Factory Outlet Stores there are some other stores that offer deeply discounted products that people routinely sell on eBay. Nordstrom's department stores have stores called Nordstrom's Rack in several cities. The same lady I spoke about earlier who goes to the Coach sales is a regular buyer at Nordstrom's Rack. Again this is one of those opportunities where you have to go often. What the Rack does is keep marking items down each week until they sell. So if you get there just as they mark something down you can snap it up before someone else buys it.

Pottery Barn is another store that has fantastic deals on their sale tables. If you search the term *pottery barn* on eBay you will see hundreds of listings. Some of it comes from sellers who buy from liquidation dealers but a lot of it comes from the Pottery Barn Outlet Stores or even the sale tables at the local Pottery Barn where the sellers live.

If you don't think you can make a good living on eBay this way, look eBay Platinum PowerSeller, I-dance-like-a-duck. Here is her store link: <http://stores.ebay.com/I-Dance-Like-A-Duck>. This lady sells over \$500,000 on eBay every year – almost all of it from Pottery Barn outlet stores. Unfortunately most of them are located only in the East, but because of that, Pottery Barn stores in the West tend to have excellent sale tables they use to move their merchandise to make way for the new things that are constantly arriving.

There is a list of the Pottery Barn Outlet stores and an outlet mall finder in the appendix.

Wholesale Buying Clubs

The largest wholesale buying clubs in the US and Canada include Costco, Sam's Club (owned by Wal-Mart) and BJ's Wholesale. Another fast-growing chain – although not technically a club is a store called Big Lots. All of these stores are excellent sources of merchandise to sell on eBay.

When I tell my friends that I buy goods at Costco, they always laugh at me and ask, why would someone buy something on eBay when then can just go and get it at Costco themselves. I explain that there are about 300 million people in the United States and Costco only has about 10 million members. That leaves a lot of people who have never been in a Costco and seen how low really good merchandise sells for.

Here is a partial list of some of the items we have purchased at Costco and resold on eBay:

- Gloria Vanderbilt Ladies Stretch Jeans
- Cartier and TAG wristwatches
- Fitz & Floyd cookie jars
- Calvin Kline Boxer Shorts (set of 3)
- Nautica running suits
- Tommy Hilfiger dress shirts
- Adidas Shoes
- SanDisk Flash memory devices
- Wenger (Swiss Army) Camping Tents
- Hoffritz Barbeque Tool Sets

Costco and the other stores have great prices and often sell famous brand name products like those listed above at well below retail. Most of these products still have the original retail price tags on them. For example, the Nautica Running Suits had original Nautica store tags that said each piece (top and bottom) was \$55.00 –total value \$105. The Costco price was \$19 per piece (total cost \$38 a set). Instead of selling the tops and bottoms separately, as they were in Costco, we sold them as a set on eBay for prices ranging from \$80 to \$90. We easily doubled our money on those.

The Hoffritz barbeque tool sets sold at Costco for \$19. We sold over 50 sets at prices between \$35 -\$40 at auction and \$49 in our eBay Store. The Buy-it-now (BIN) and eBay store listings were responsible for about 1/2 of the sales.

Costco also has a department that sells expensive jewelry and designer wristwatches. You will often see brands such as Omega, Cartier and TAG Heuer. Now the price for these watches is pretty competitive on eBay so your margins can be quite small. However, the final values are high. You might only make 10% after eBay and PayPal fees on a sale, but these watches sell for over \$1,000 and as much as \$1,500 and \$2,000 for some of them, so you only have to sell a few watches to make \$500 or more. The way I sell these watches is to start the bidding low and set a reserve about \$100 over my cost. If the watch doesn't sell, I run it again. If it doesn't sell the second time, I simply return it to Costco for a full refund (see below).

And, there are additional benefits to buying at Costco. If you open a business account (\$50 year) and you have a sales tax number, you can purchase goods for resale without paying sales tax. If you open an Executive account and get a Costco American Express card, you can get an additional 3% cash back on your

purchases. Finally, if something doesn't sell, Costco has a no-questions-asked return policy. I haven't shopped at Sam's club in a long time but I am told they have the same policy. In any event always keep your receipts.

The only thing you have to be careful of is abusing the return policy. I saw a blog post on eBay about one fellow who was constantly returning merchandise and Costco cancelled his membership. I have returned goods as often as three or four times a year and never had a problem⁴, but I honestly don't know what their threshold is to flag an account for too many returns.

Occasionally we ended up with goods that didn't make much or any profit. When this happened we usually just lowered the price on eBay and they would sell out quickly. This way we could at least break even or make a tiny profit and then move onto the next item. On the other hand, if something was really expensive I would usually just return it.

⁴ We returned about ½ of the Fitz & Floyd cookie jars. They were selling well but were fragile and difficult to ship.

Researching To Find What Sells

I am a big believer in research. You should always research a product before you commit to purchase it. Today there are research tools that can take the guesswork out of sourcing product. Not only can you learn if a product has sold on eBay, you can see the prices that the products actually sold for. The more advanced research tools can even tell you the best day and time to list a given item, which optional listing features to use to get the highest prices and the best category to list your item in.

The advent of wireless computing and PDAs and cell phones that can access the internet even allow you to check this information while you are standing in a Wal-Mart or a Costco.

There are some great eBay research tools on the market. First there is the eBay search engine itself. It's free to members and eBay has some pretty advanced search features. You can see a complete tutorial here:

<http://pages.ebay.com/sellercentral/research.html>

eBay also has a research service called Marketplace Research (http://pages.ebay.com/marketplace_research/index.html). It enables buyers and sellers to gather critical intelligence on buying and selling trends in the eBay marketplace. View and analyze top searches, average start prices, average sold prices and much more. This easy-to-use product makes getting to the data you need quick and efficient. eBay offers two monthly services –Basic and Pro. The basic service will access 60 days of historical data and costs \$9.95 month. The Pro service will access 90 days of data and costs \$24.95 month.

There are also third-party companies that offer research services. The most well known are Terapeak, HammerTap and Andale. My favorite is HammerTap. Their new product HammerTap3 simply blows the other services (including eBay's) away. HammerTap will give you a 7-day free trial and then charges \$24.95 a month if you continue. However, I know the folks at HammerTap and have made a special deal for my readers. If you go to HammerTap's Website from this link (www.hammertap.com/skip), they will give you a 14-day trial and a lifetime discount on the service of only \$17.95 a month. This is a limited time offer, so if it isn't there when you buy this book I am sorry. They did promise me they would keep it available as long as people are signing up, but please don't get mad at me if it's gone.

APPENDIX: Outlet Store Finder

Unfortunately all of the Pottery Barns are located in the East except for one in Texas. I contacted Pottery Barn and they said they have plans to open a center in Colorado and California by 2008.

Pottery Barn Outlet Stores

<p>Georgia North Georgia Premium Outlets 800 Highway 400 South Dawsonville, GA 30534 706-216-6456</p> <p>Michigan OT Prime Outlet at Birch Run 12150 S. Beyer Rd., Suite F20 Birch Run MI, 48415 989-624-6092</p> <p>New York Tanger Outlet Center 1770 West Main Dr. Riverhead, NY 11901 631-369-7699</p> <p>Ohio Ohio Factory Stores Prime Outlets 8100 Factory Shops Blvd. Jeffersonville, OH 43128 740-948-2004</p> <p>Pennsylvania Rockvale Square 35 South Willowdale Dr., Suite 1808 Lancaster, PA 17602 717-290-2809</p>	<p>South Carolina Prime Outlets at Gaffney One Factory Shops Blvd. Gaffney, SC 29341 864-206-0117</p> <p>Tennessee Audubon Shopping Center 4720 Spotswood Memphis, TN 38117 901-818-9770</p> <p>Texas Prime Outlets 3939 IH35 S San Marcos, TX 78666 512-805-1002</p> <p>Virginia Leesburg Corner 241 Fort Evans Leesburg, VA 20176 703-443-6761</p>
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Outlet Mall Locator

Find any Outlet Mall in the US at: www.outletbound.com. Simply type the brand name or store name (Sony, Nike, Nautica, etc.) into the search box and it will bring up a list of outlet malls around the country that contain stores owned by

or that sell those brands. Once the list of outlet locations come up you can tab over to a list of stores, get directions and local hotel and restaurant information.



Computer Outlets

Most major computer makers sell refurbished, remanufactured or returned – but never used computers. You can often buy these at prices low enough to resell on eBay. All of these are online, although some of the companies have actual factory stores located on their main business campus. Although these are usually open to employees only, if you know an employee they can usually get you a guest pass.

Here are links to the online factory outlet stores. If you wish to buy more than one, call the company and they will usually give you further discounts than are listed on the web sites.

Dell: www.dell.com/content/segmenter.aspx?s=df0

Gateway: Go to www.gateway.com and type refurbished into the search box. This will bring you to a page that lists refurbished and remanufactured computers by category.

IBM: <http://www-132.ibm.com/search/refurbished.html>

HP: Go to: <http://www.shopping.hp.com/webapp/shopping/home.do> and type refurbished into the search box. This will bring up a page where you select from business or home products.