



Retail Arbitrage: Buying and Reselling Items from Stores on Amazon (Revisited)

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- Jessica Larrew: We love the thrill of the hunt. We like looking for stuff that's exciting, that we get big huge margins on. That people go, "Why would somebody pay sixty dollars for a bottle of cleaning stuff?"
- Pat Flynn: You're listening to Jessica Larrew who's also here on this episode with Cliff, her husband, and they're back on the SPI Podcast coming from Episode 99. This was over five years ago and this is one of the most popular episodes. This is the one that I get a lot of emails about because a lot of people have taken what Jessica and Cliff shared in that episode, Episode 99, and have actually implemented it. Some people getting more money on the side and others even quitting their jobs to start this what's called retail arbitrage business. It's an interesting, different way of building a business and I wanted to bring Jessica and Cliff back on to give us an update on where things are with doing this kind of business on Amazon, how things have changed. I want to go a little bit deeper into if you're just starting out and you want to make a little bit of side income and even turn this into a full time thing, what exactly do you need? What you need to look out for? Where are their extra hidden costs? We're just going to go right into it after the intro. Here we go.
- Announcer: *Welcome to the Smart Passive Income Podcast, where it's all about working hard now so you can sit back and reap the benefits later. Now your host. He once removed the delete key from his computer when writing a book. Pat Flynn. That's an interesting idea.*
- Pat: Alright, welcome everybody, thank you so much for joining me today in Session 377 of the Smart Passive Income Podcast. My name is Pat Flynn, here to help you make more money, save more time and help more people too. Today we're bringing on Jessica and Cliff Larrew, who are here from thesellingfamily.com to give us an overview and go into detail about how to start an Amazon retail arbitrage business. Was does that mean? It actually means you go into a retail store like Walmart or Target with a specific app, and you scan items, and you get to see how much people are paying for that item on Amazon. If the margins are right, and the numbers are right, and we definitely will be going over the minimum requirements, then you can buy

those items and sell them on Amazon and make a pretty decent profit on it, too. We're going to talk about how to do this, what to look out for, what the minimum requirements are, how much might you need to spend, and how much you could possibly make as well. So sit back, listen in, and here is Jessica and Cliff Larrew from thesellingfamily.com. Jessica and Cliff, welcome back to the Smart Passive Income Podcast. Thank you so much for being here today.

Jessica: Thanks for having us again.

Cliff Larrew: Good to be here, Pat.

Pat: It's been a while, and you know I know you know this—but I'm going to mention it again for people who may not realize this—but the last time you were on which was February 27th, 2014. That's literally over five years ago. It is still, to date, one of the most popular and most talked about episodes on the podcast. Again, thank you for coming on. I still, today, continue to get emails from people saying, “It was episode 99 with Jess and Cliff. I did what they said and, oh my gosh, it changed my life.” So thank you again for that episode and for coming back.

Jessica: Yeah, totally. We still get emails today, too, and it's so awesome. That excitement of getting their first sale and starting their first business and making real money.

Cliff: It's been just crazy to see how many people have been introduced to Amazon from that episode. And, like you said, we still get that today where people are just, “Wow, we heard you guys on a podcast with Pat Flynn and that's how I started selling on Amazon.” That's been amazing.

Pat: You know, we've had a lot of people talk about Amazon since you've come on board from [Ryan and Nick](#) and many other people who have come on. But are you still doing what you talked about an episode 99? Where—and for those of you who might not remember or didn't listen to that episode, which you should by the way if you haven't yet. Because a lot of that stuff, correct me if I'm wrong, is still

relevant. People are still going to clearance isles at Target, at Walmart. Jessica, is this something that people can still go back to Episode 99 and do the same things and earn their first dollars?

Jessica: Absolutely. Some things have changed, of course, as time goes by. And Amazon is a constantly changing platform because they're just getting bigger and bigger every day. But we still . . . We love doing that business model. You know, you've had people on that talk about private label and wholesale and other things, and for us, we love the thrill of the hunt. We like looking for stuff that's exciting that we get big huge margins on, that people go, "Why would somebody pay sixty dollars for a bottle of cleaning stuff." We love doing that kind of stuff. For us, we love helping people get started. It's the easiest way that you can get started on Amazon without having thousands and thousands of dollars.

Pat: Can you give us, Cliff, perhaps we'll go to you. If somebody were to start this today, based on some the changes since five years ago, can you give us a quick rundown of the step-by-step process and then I'd like to go with okay, well if somebody does that and they're making some money—we'll follow that up, Jessica with, okay well what are some next bigger things we can do? Cliff, why don't we start with you, somebody were starting out today wanting to do . . . What would you even call this? Is it called arbitrage or is it called . . . I mean I know it's like almost kind of treasure hunting, but how would you define it and then how do you get started?

Cliff: Well, it's considered retail arbitrage in the realm of selling on Amazon, and it's basically just buying products at regular stores like Walmart and Target and then flipping them on Amazon for a higher price because of the demand and the scarcity. Supply and demand, it's hard to find them in stores, but yeah, people you know can totally get started today doing this. Like Jessica said, the capital needed to start is very little. We always recommend, you know, around five hundred dollars to start to get your feet wet. It's something that people can do on the weekend and not jump in head-first. It could be a little side hustle and then we recommend growing it into something

big if you start it and then you find out, “Hey this is something that I like and I want to continue doing it, now how do I grow it?”

Pat: Remember after Episode 99, I had actually gone to the store with my son and we started doing us together and it was really fun. Just a little bit of an investment upfront to kind of just see what happens and it was really fun to bring my son with me in to show him. He actually was like, “Wait we're buying this then we're going to sell it again. Why? I don't understand.” So it was kind of fun to tell him. He even asked some really smart questions like, “Why would somebody buy this at a higher price than we can buy it here?” I think that's a question that, for people who are being introduced to this for the first time, Cliff can to keep going here? What is the real reason why people are buying it for more on Amazon than they could get it at the store?

Cliff: Well absolutely, Pat that's a great question. A lot of people have that when they first start because it's kind of mind-boggling at first. Why would someone pay that much? There's actually quite a few reasons. I attribute it, number one, to time. A lot of people . . . we see Amazon is growing by leaps and bounds and people just don't want to go to the stores anymore. Especially if it's for a hard to find product. Come around Christmas time, parents are looking for that specific toy for their daughter that they want to make her happy. And would they rather travel to three or four Walmarts and maybe not get it or pay double the price on Amazon and sit at home and watch Netflix with the family? It comes down to time versus money, really. If you have the extra money and you don't mind spending it, and we found out over about ten years selling on Amazon that people are willing to spend that kind of money and spend extra because they value their time. They don't want to go out and search for these items.

Or another reason it could be profitable is because it could be hard to find or discontinued, the product could be on its way out. The manufacturer could be discontinuing it and what we found over the years is when there's something like a flavored coffee or of some type of food that's a certain flavor and they discontinue it, people go crazy. And they'll pay three, four, sometimes ten times the amount

just to get it. That's something that we found to be true over the last decade of selling on Amazon.

Pat: Yeah, that's true. It reminds me of when Twinkies were going out. They were super expensive at that point. Jessica, you were going to say something?

Jessica: Yeah, one of the things that, a lot of times, we don't realize whenever we're shopping—and we call it sourcing, whenever we're looking for products to buy. If we're looking at a discount store like Big Lots or Grocery Outlet they specialize in things that are being discontinued, they have been pulled off of the regular retail shelf for whatever reason or were at a clearance aisle. People don't always know where to go to find that thing that's on its way out or a store may have something on discount at Target at seventy-five percent off but it may be full price at Walmart. Somebody doesn't necessarily know all the time where to find stuff at such a good price. We don't either until we find it. We just see it and go, well, this is selling for more on Amazon. That's one of the biggest reasons why we can sell stuff for even around the same retail price and people don't realize that they're paying more than we bought it for. Because when they see it at Target, it's the same twenty dollars but we bought it at Walmart for five dollars.

Pat: What are the first steps, Jessica? Before you walk into a Walmart or a Target or some other store to look for these things, what do you need to have in hand to better prepare for this?

Jessica: It's kind of a funny situation on getting started because one of the things you absolutely have to have in order to get started is a scanning app. It's pretty much you can't do it without it, because a scanning app is on your smartphone, you scan a barcode of a product and it tells you how much it's selling for in Amazon. You input your cost and it tells you what your profit is. The thing is that in order to get a scanning app you have to have an Amazon seller account. You kind of have to commit a little bit before you actually go out test the waters. You can do that for free, you can set up an Amazon seller account for free. They've made it a little bit tricky. It used to be a very

big blatant button that says you want to sign up for the free account. Now they actually hide it a little bit. They want you to sign up for the paid account but if you look very closely you can sign up for the free account.

When you do that you can download the Amazon seller app which is a completely free app that connect directly to Amazon. Then you just head out to a store and scan the barcode of a product and then it will pull it up on Amazon and tell you the difference. You can do that at home with just stuff that you have or you can do it at a clearance aisle, a discount store. I always recommend that people start with clearance just because it kind of limits you a little bit on what to look for. If I tell you to go to Target and just start scanning it's pretty overwhelming because Target is a large store. If I Say find an end cap of clearance toys that's much more doable. One thing I'll say is one of the differences from when we were on five years ago to now is that there are more restrictions. Now it takes a little bit of time. We find that the very first weeks are the hardest. This isn't one of those businesses, unfortunately, where you can just get started and it's super easy. I think that's one of the big misconceptions now is that it's so easy. But you just . . . Once you get going you start to realize okay, these types of things are restricted and I can sell this, and it's all about just really spending the time to scan enough products and then find those things that are selling for more on Amazon. The funny thing is that once you've been selling or had your account for about six months, a lot of the restrictions that we see start to just fall off for people.

Pat: No way. What are some of those restrictions that we're likely to see when we're starting?

Cliff: A lot of them are brand restrictions. Obviously, a lot of big brands are really at odds, sometimes, with Amazon—like Nike, Disney. They really don't want a lot of third party sellers selling their items. Those are always going to be restricted. You'll start to notice there's things in the cleaning category where they'll be a scrub pad or a toilet wand brush that once you have sales in unrestricted items in that category,

it'll start to open up doors and avenues for you to potentially sell other items that had previously been restricted on your account.

Pat: Got you.

Jessica: There's different ways that things are restricted on Amazon. One is by category or subcategory and one is by the brand. One of the subcategories that people really want to be able to sell in is called "toys." Which is actually a subcategory of toys and so it's really confusing. I don't know why they did that. We say other toys is restricted but overall toys is not. But at the about the six month mark, somebody can apply to sell in the other toys and get approved, which just means a lot of times it's like the special brand of toys. Like the higher end toys. Or there is a subcategory in health and personal care which—health and personal care, if you remember, is one of our favorite categories—but there's a subcategory of topicals, or ingestibles, which are more likely that they could harm somebody. It's something that they're swallowing or something that they're putting on their skin. Those are restricted to brand new sellers but once somebody has been selling for about six months then they can get un-gated in those categories very easily.

Pat: Got you.

Jessica: It takes a little bit of time.

Pat: I was going to say it takes little time and so it would take some sort of a trial period or commitment up front just to see if this is something that you want to continue to do. Because I remember when we talked before it was something that you could try once on a weekend and you'd be fine. Some people took that, did commit, and are now pro sellers which is kind of cool. But for now, to even give it a good trial you need to perhaps have a good run of a few months. What does that mean, does that mean going to Target every day. Is this a daily thing? How many hours? How much time are we talking here that this would take to get to that point where it actually can become something sort of lucrative for us?

Jessica: You know we still have student every day who are getting started that share their . . . A lot of people, their first goal is to make a thousand dollars in thirty days of sales. A thousand dollars in sales. A lot of our students do that in their very first month. It's really exciting. That would probably break down to about three hundred dollars in profit, depending on what they buy of course. It isn't a huge number but it's one that definitely shows you okay, this will work. I don't want people to think they won't be able to sell anything in the first six months, although it may feel that way when they first get scanning. But they can definitely just get started. We say five hundred dollars is enough to get their foot in the door. A couple hours at a sourcing trip once or twice a week is really a good get-your-foot-in-the-door. I just recommend that people spend at least an hour scanning products, and that they scan at least a hundred things. Because it's easy to scan ten things—and it goes a pretty quickly—but if none of those items are profitable it's easy to go, okay, this isn't going to work. But I'll tell you that Cliff and I, we go sourcing and there were days where we scan two hundred things and we only found two products that were worth selling, but those two products make our whole entire trip.

Pat: Yeah, I remember going with my son, and we found like a gravy boat or something. I was like, this is weird. It was on clearance for like eight dollars and it was for sale on Amazon for like thirty-five, and I was like, this is crazy. We did scan a whole bunch of things and I was getting restrictions, I was getting no, this was not worth the time. The app literally tells you what to do so we'll make sure to link to that app and all the websites and stuff that Jessica and Cliff are mentioning. It was kind of cool to find that. Of course, I remember learning from you guys when we were there, we're like okay, let's get all the gravy boats now so we could get them and then we put them on the website. And they told us—Amazon tells you how to package these things, where to send them. You don't send all the things to one place, you send them all around to all the distribution centers and then you start to track things.

I remember getting emails daily, with, “Hey, four of your gravy boats sold today.” It's like wow this is cool. Of course, they ship it for you.

It's already done for you after that point. And then we did buy some things that didn't sell, either, and I think that just with experience and with time you kind of begin to learn what works and what doesn't. To go back to some of the people who may listen to this and give this a shot. Is it weird to . . . or how do you speak to the people who are like isn't it weird that you're just going in a store and scanning everything? Did the Target employees look at you funny? Did other people think you work there? How do you get over fear with this thing? It is a legal thing to do as well, right?

Cliff: Yes. Yes, it is. It's totally good. It is nerve wracking though when you first start. That's a common thing that people say is, "I feel kind of awkward scanning; like I'm doing something wrong but I'm really not." In our experience, we've never been bothered by any employees. We've had employees ask us questions. "What do you guys doing? Are you guys selling this?" I think it's becoming more commonplace for them to know there are resellers out there, selling on eBay and Amazon. In our experience we've actually had managers come up and start packing our stuff for us.

Pat: No way.

Cliff: At a Toys R Us. About two years ago we were in the Bay Area and a manager comes up and I asked him for a discount. I said, "Man, we have like three carts full of stuff," and I said, "I'm taking all this stuff, is there any extra discount you guys can give to me?" He's like, "Sure, I'd love to. I appreciate you guys taking all this stuff." Then he began building boxes right behind the counter as his employee was scanning the items. Then he was putting them into the boxes for us. It was a great experience. But it is nerve wracking. It is legal to do and just be honest with the employees if they ask. You'll get looks sometimes if you have twenty of an item. A few times, I've bought fifty Elsa dolls at a Walmart and gotten a lot of looks. I was sold out on before I walked out the door during Christmas time. I just knew I was making a bunch of money on them. But it's just part of the game, part of the business. It gets easier over time and with experience.

- Jessica: Target is kind of an example that's funny because they do actually have an anti-reseller policy where they don't like to sell to people who are clearly reselling. And so with them, particularly, we try to not be super obvious. It all depends on the cashier and the manager at the time. If somebody decides that you're trying to take all of the most popular thing that they have, they can tell you no, that they don't want to sell it to you. Target is really the worst. But we tell anybody at any point, you don't want to be over-aggressive or . . . we don't like to bring attention to ourselves, anyway. Just don't clear the shelf completely of the hardest-to-find thing. But if it's clearance, really, people don't care. It's whenever you're taking the thing that they're trying to keep in stock. If you're taking twenty-five and they just got in twenty-five today they may say something about it. But if you're taking all the clearance stuff, they really don't care.
- Pat: Yeah, that makes sense. Now one thing I remember when I was doing this, too, was that there were some extra things that I didn't know I needed until I was kind of deep in the process. Like boxes and tape and label maker things. How much of those things might one need when they're starting out. Obviously, it kind of depends on volume in and what it is that you're shipping but what are some extra potential costs that we might need to take into account when we're starting out.
- Jessica: Cool. We have what we call the bare minimums because there's always stuff that you can add on that makes life easier. There's a lot of fun tools and gadgets that we can get. But the bare minimums that somebody needs to have in order to make this work is they have to one, have a smartphone so they can have that app. Two, they have to have a computer so that they can list the products on Amazon. And they need a printer where they can print their labels. You can get a fancy label printer but all you really need is a printer, a regular printer and then Avery address labels. These are going to go on each of the products. You're going to cover the manufacturer's barcode with what's called an FNs Q label, which identifies each product to us as a seller so that when Amazon scans it they know exactly who sent it in. Then you have to have boxes which—you know, to send them in.

We recommend that people try to at least fill one whole box. There's a setting that you can change inside of your seller account that makes it to where you do send everything to one warehouse. It costs extra, but we find that when somebody is just getting started if they only have fifteen things and they end up having to ship it to seven warehouses it makes it . . . It doesn't make it cost effective. It makes more sense to pay extra to have it all go to one warehouse and then you're only using one box. Then you need to have tape to close that box. Then you need to have either regular paper or you can use a two-per-sheet or two-per-page label and that goes on top of the box. That one side tells Amazon which shipment it is and what's supposed to be inside of it. It's not listed on there or anything it's just a barcode. Then the other half is the address label. It has your address on it and it has Amazon's address where it's going to. Then that's for FedEx or UPS. I think that's pretty much it. Right?

Pat: Yeah. I'm remembering it. It was pretty simple once I got it down, and I went back and I did a couple of runs at Best Buy and I saw some headphones, and those sold out really quickly. And I made a fifteen dollar profit on each of those and I had like ten of them, and it was really fun. It was a good start. If I didn't have my businesses that I have now I could imagine myself doing that once a week and making a little side income. But the question that I have for you and Cliff maybe we can go to you for this one, is after you do this for a while you start to see a little bit of income coming in. Is it just let's go to the store more and do this? Because I remember going back the day after and I was like wait I'm seeing all the exact same things. This is only scalable to a point. How do you grow this kind of business? How do you turn it into something that's more than just retail arbitrage?

Cliff: That's a great question, Pat and there's a couple different ways. Like you said, you were seeing the same things that you were scanning over and over. For retail arbitrage, you would increase your area that you're sourcing from. We like to travel, especially me. When I find a hot product, I'll travel all up and down California, sometimes Nevada, stopping at stores to get that particular product. If you find a hot product you just increase your sourcing area, you know the amount of stores you're going to instead of just the ones in your town.

Pat: Do you call them up beforehand and make sure they have it in stock?

Cliff: I do not. A lot of times I do not because I make sure that there are enough stores on the way. If I'm going to Big Lots and I'm heading up north towards Nevada, going to Sacramento, I know that they've got seven of them in that area. I'm bound to find some is my reasoning. But as far as once you know that this is something that you like to do, retail arbitrage does end up morphing into something else. You've had other guests that talk about private label and wholesale. Those do produce the bigger numbers because you can scale them more.

Pat: How does that work?

Cliff: You mean transitioning from retail arbitrage to wholesale or private label?

Pat: Yeah, for people who don't even really know what that means. Like, how is that different?

Cliff: It's different because, again, you're not going to retail stores to source your products. You're searching out manufacturers that will allow you to buy in bulk. And so the game changes a little bit because you're ordering pallets of material as far as wholesale goes. You're ordering pallets of material and you're doing it at a certain price point. Usually your margins and your profit tend to be a little bit lower but your volume increases if that makes sense.

Pat: Profit per product is lower but because you're getting so many more you actually will end up making more money.

Cliff: Right and you end up having . . . A lot of times you can make deals with the manufacturers, especially if you're the one to bring their product to the Amazon Marketplace. Where you can say, "I would love to be your sole vendor on Amazon to sell these products." We've seen a lot of people have great success with that and then they have . . . They're the only vendor for that product on Amazon. It cuts out competition as well. You don't have to fight with other sellers

for price points. It's a gradual step from retail arbitrage, you're sourcing at stores and then, like you said, you eventually start to see the same things. And there's only so much you can do unless you travel and increase your sourcing area. It's like just a . . . We call it an evolution of business as far as the Amazon seller goes. Because you're looking to grow and increase volume and then you're just adding something else to your retail arbitrage business model.

Jessica:

I would say that that transition or evolution actually takes quite a while. Because we find that new sellers can get to about six figures in profit within one to two years, working by themselves—maybe with a spouse or a family member—and working either a lot part-time or full-time. That's where we find that people start to go okay, but now it's hard to go past six figures doing retail arbitrage. I feel like it's pretty hard to not have enough stuff to get to that point and that's usually when people start to go okay, now what? But a lot of the people that we work with are similar to us, where they don't want to have a million dollar business. It's not easy to run a million dollar business. A lot of times, we find when somebody is getting started they're going to have one of two goals in mind. Either one, they're looking to add an income stream, a side hustle. They want to you stay home with the kids, they want to pay for vacations, pay for cars that kind of thing. Or they want to build like a brand and a huge business.

Depending on where they are in that spectrum, that's going to really determine: do they stick with retail arbitrage or did they go to another business model? Because people ask us all the time, why don't you guys do wholesale or private label? For us, it's always been about the lifestyle. We don't want to work full-time hours. And with having other businesses now—we've been doing our blog since 2012, we bought niche site recently. We have other things going on that we can't . . . We don't want to work full-time with all of them. To us it's like, we don't want to work eight hours, each, a day. We home school too. We were having this conversation with our son the other day because we're like, you know, “We don't want to work all day, every day.” He's like, “Yeah we don't want to do that.” Because he doesn't know what it's like to have two parents that work full time.

- Pat: Yeah, I mean our kids are the same way and we're just truly blessed for the business type that we have to allow us to have a little bit of freedom. And so I can see that, for sure, and I would imagine that going down that route would add a lot of other headaches that aren't there if you're just kind of doing it on you're own, like you are right now, for example. I could imagine that obviously if you're ordering pallets of stuff, you got to put those pallets somewhere and that's—
- Jessica: You need a warehouse or you need—
- Cliff: A forklift.
- Jessica: Employees and different insurances. That's amazing for a lot of people but for us and a lot of people like us, it's just not what we want at this point in our life.
- Pat: Right, and that's why you're selling family, as you're known, thesellingfamily.com. Family being the most important part that. Good for you for not just going because there is money there and you guys would probably crush it but then what would that give you? You're working for your family and you're successful in that way already. That's awesome. When it comes to this other stuff that you're doing now, I'm curious, because this was nothing that was mentioned before. You bought a niche site. Tell me a little bit about that. Why? What are your goals there?
- Jessica: Yeah. We bought a niche site. It's related to Apple products which—we're a total Apple family. For us, it was we wanted to experiment a little bit and see what it's like to have a different type of business that one, we didn't start, and then, two, is in a totally different realm than what we've done before. Just to have another income stream because we had some money that we had available and it was like, well it's not really making us any money. What can we do to have our money make money? Instead of investing it in the stock market we're like, well let's try investing in a small business. We invested and it makes money with ads and since we bought it it's continued to make money, and I feel like that's the only goal we can have, really, is to

have it continue to make money. It's been fun. We've only had it for about four or five months, I think.

Pat: That's cool. How time intensive is it for you at this point or is it kind of just on autopilot?

Jessica: It could be on auto pilot but I like to tinker. I spend a couple . . . like four or five hours a week on it but I don't have to. It's just when I have the time.

Pat: That's really cool. Going back to Amazon and selling and stuff, when you had mentioned that if you do this retail arbitrage you can make up to six figures, if you kind of commit to it and put a little bit more time into it. In what range of six figures? Is it a hundred thousand dollars? Is it \$999,999? What range are we talking about so people can consider, "Hey maybe this is something I could do for my job." And I know some people have heard Episode 99 and have quit their jobs because of it. Isn't that amazing?

Jessica: It is. So amazing.

Pat: What range are we talking about here for potential income? Then I'd love to get into a little bit of the biggest mistakes and other hidden things that we might not know about. What range are we looking at here for top-level before one might need to consider, if they wanted to get more income, going down the private label wholesaler route?

Cliff: I would say, Pat, to be honest, anywhere between one and two hundred thousand for retail arbitrage.

Pat: That's profit.

Cliff: That's profit, correct. That's right. And that's if you're hitting hard and you've committed.

Jessica: That's a full-time.

- Cliff: Yeah, full-time commitment to your Amazon business. We have seen a few people go higher than that—but, to be honest, they are few and far between—that hit those higher numbers with just retail arbitrage. Like I said, most people, they end up evolving and adding something to their retail arbitrage business like wholesale or private label to get to those bigger numbers. If they're going for a million or anything higher.
- Pat: Got you. I'm just trying to get in the heads of my audience right now. I think one thing I forgot to ask was what was the name of the app that they could get that if they wanted to just scan? Because—you do need a seller account to even log in to that to even try it. Is that true, Jessica?
- Jessica: Yeah, Amazon Seller App. It's made by Amazon the company and it links directly to your Amazon seller account, which is really important because it will tell you exactly what you're restricted in and not restricted in.
- Pat: Okay, got you. Okay, fantastic. When I was trying this I remember kind of just trying it out for a month and just letting it sit. I'd see some sales here and there and that was pretty cool then I'd see the income kind of put into my bank account which is pretty amazing. But then I remember, several months went by and I started to get some notices from Amazon saying like, “Hey your inventory hasn't moved for a while. You can try changing the price. You can do this and that.” And then several months later, I just let it sit and then it was like, “Hey, warning! You might want to do something with your inventory here or else you might need to pay some fees.” I'm just curious about those kinds of things for people who want to dabble in this first. What are some of those kinds of costs or potential sort of things that we might come across? Just so we know what to expect.
- Jessica: That's a really good question because it is so easy to send stuff in and then decide it's not for you, but then you still have the inventory. We've experienced that with a lot of people. One of the things that's really important is if you go with the paid Amazon account—is that if you stop selling consistently, that you downgrade your account.

Because that can immediately eat up your profit if you're paying Amazon forty dollars a month just to keep your stuff there. The next thing is it's really important that when you first buy products that you don't just buy anything that seems like it's going to make money. That you really, one thing we haven't talked about its ranks. Amazon will give you a best seller rank and we just say as an easy rule of thumb, try to only buy things that have a rank of under a hundred and fifty thousand because that tells you it's going to sell pretty quickly.

We see people will buy things with these huge ranks, like three hundred, four hundred, five hundred thousand ranks. But they're like, "But it's going to make me fifty dollars!" Then it just sits there. An item just sitting there really doesn't help you at all. It just eventually will cost you money because Amazon does long term storage fees, which means your stuff has been here longer than they want it to be so get rid of it or pay us. Then if you're paying for any extra tools or anything like that, you don't want to just let the stuff sit there and you're paying for that. Does that answer the question or does that not really really what the question—

Pat: No, it does. I'm just trying to think ahead for everybody here as they go and give this a shot. Just to go over a hypothetical example for people, I sign up for a seller account, I get the app, it's connected. I drive to a Walmart, for example, and I walk in, I see this giant store—where do I go? Let's start there. Where am I walking?

Jessica: So when you get to Walmart, the first place you're going to go is figure out if they have a full aisle of clearance or if they just have end caps of clearance.

Pat: I'll be like, "Hey, thanks for welcoming me. Tell me where the clearance aisle is." To the guy who is saying hello as I come in?

Jessica: Usually the clearance aisle will usually be around the seasonal staff or the lawn and garden area. Then if it's end caps you walk around the outside of the store instead of the inside. If you're walking through the main aisles you won't see them but if you walk behind

and on the back edges of the stores, that's usually where clearance is held.

Pat: I see a clearance end cap and there's a bunch of random things on there. I know, just from experience, that that's a good place to start because the store is trying to get rid of those things and that's why they're discounted because they're trying to make room for new things. That's a great place to start. I open up my app and then just, literally, item by item just go for it?

Jessica: Yup, so you're going to open the app and it's going to use your camera to scan the barcode of the product. It's going to pull up the information on Amazon. It's going to tell you a few things that you really need to pay attention to. One is how much it's selling for on Amazon. Which doesn't do you any good without knowing the rest. Two, how much you would pay in fees in order to sell that product. And then there's a spot where you can input your cost, so whatever it says on the clearance tag you input that into the app. And then it's going to tell you how much you would make in profit. It will . . . I don't remember if that tells you ROI or not. I think it does. But then it's also going to tell you the category that it's in, and the Amazon bestseller rank. The Amazon bestseller rank is the one that's really important to look at. You want to make sure you're at least under a hundred fifty thousand.

Then one thing is make sure that your product is going to be profitable enough to make it worth it. Because what we see a lot of people do is they'll find something for a dollar and then see that they're going to make a dollar in profit. You're making a hundred percent return on your investment, which if you're investing in the stock market we would invest a million dollars if we had it. But one dollar at a time makes it really difficult to scale and to even really test the business because you have the cost of your boxes, the cost of your tape. To do that one dollar at a time is very difficult. What we like to recommend when people are getting started is don't buy anything that's going to make you less than five dollars. If you're going to sell one of something and it's only going to make you two dollars,

it just really isn't worth the time. It's a learning experience but in the end it really will have not been worth it.

Then not just how much you're going to make on the item total but how much did you have to spend to get there? This mostly comes from the type of people that we work with. Mostly from being similar to ourselves. Most people don't have a ton of money to get started. I'm not going to say spend thirty dollars to make five dollars. That just doesn't make a lot of sense when you're getting started. If you can sell a thousand of those things, great. But retail arbitrage is not going to find that many so it's not going to work. So I recommend not going under forty percent return on investments. If you spend eleven dollars then you can get your five dollars. But if you're spending ten dollars I don't want you to make four. You got to keep both of those in mind. I'll be honest, that's where lot of people go, "But just because that makes it hard." It's hard to find things that meet all of your criteria. Unfortunately, when people don't follow that criteria in the beginning is when they start to say, "Well, I sold a whole bunch of stuff but I didn't make any money," and we hate to see that happen. So we try and be really, really strict on people and then we say okay, once you've done that, then loosen it up and take whatever profit margin you want. If you want to go for volume, go for volume, if you want to go for thirty percent ROI, go for it. We have sellers like somebody we did a success story on our website. He got to ten thousand dollars a month in sales in four months using our teaching but almost a completely different model than what we teach. Because he was having a really hard time finding stuff where he could make high profit margins so he decided, I'm cool was taking twenty percent, thirty percent margins. He was able to get to like three thousand dollars in profit a month in those four months but his sales of volume is very high.

Pat:

And I even remember running through the store once and finding some really, really expensive products like refrigerators and things like that. I actually bought a mini refrigerator and sold it and I actually made like fifty bucks on that one product. For me that was worth my time and it was a fun experiment.

- Jessica: And fifty dollars, one time—even if you spent two hundred dollars on it, it doesn't meet fully what I would give as a rule. But fifty dollars, one time makes so much more sense than selling five one-dollar items.
- Pat: Right and I think the refrigerator was going for like . . . I bought it for like sixty and it was being sold for over a hundred on Amazon. I was like, okay, I can do this. I was like, are there any more? And it was the only one. It was just big to ship and stuff like that. I get these products, I go home, I follow the instructions on Amazon. I input that item into Amazon and it walks you through that process which is kind of cool. One question that I had as well—just trying to think ahead for everybody—is I remember that I actually had to set the price of that product that it was going to be sold for on Amazon myself. I just kind of got stuck there. And I know you have courses and lot of free stuff to show people how to do that but any advice, Cliff or Jess, on just pricing strategies? Because it can tell you how much it's going for, but then you can kind of like move it faster if you lower the price but then you don't make as much. I was stuck at that point.
- Cliff: That's the common thing that most new sellers come up against is they're not sure what to price it at. We always recommend that you price what it's currently. When you scan the product and you see the current buyer box is selling something for twenty dollars, we recommend putting in at twenty dollars when you send it in. As you become a more experienced seller you're going to notice things like how many sellers are on this particular listing and okay, well I see there's only two other people selling this, it's got a great rank. I'm going to increase my price while I send it in and so, if they sell out, I'm the last one left and I'll command a higher price. That comes with experience and learning but to start off with, we always tell people to just sell it for what it's currently going for. Because that's the easiest thing to do. Now the prices on Amazon when you're selling, sellers come in and out daily. Sometimes it goes down, sometimes it goes up. It's a real roller coaster sometimes when people are selling products.

We always recommend, just match the current buyer box price and then watch it as it's going in. And then when you get your email from Amazon that your product has successfully been checked in just double check it. Go through your inventory and make sure that all of your prices are lining up with what they're currently selling for and then adjust as needed.

Jessica: I think that's one of the things, too, that—like you were mentioning, where stuff just kind of started sitting—is because the prices do change so often, it's important to go into your account every few days, at least, and make sure that your stuff is still selling competitively. Because if it's not . . . Sometimes it's just adjusting a price. Twenty-five cents will get you back into where a buyer can see you. Then one thing on pricing, too, that I want to mention is with using FBA, which is where Amazon fulfills your orders, the customer doesn't have to pay a separate shipping fee. And so, if you're looking at somebody who's selling a product and they're not using that Fulfillment By Amazon program, you may see that they're selling something for \$14.99 plus \$4.99 shipping which essentially is \$20 to the buyer. You're going to price competitively matching their price plus shipping because when somebody buys it from you they're not going to pay a shipping fee. So you don't want to charge them fifteen dollars to be competitive when in total it's actually costing them twenty dollars to buy from the other seller. That's one of the big mistakes that we see as far as pricing is matching somebody who's a merchant fulfilled seller where they're shipping it themselves versus price matching to somebody who is price plus free shipping.

Pat: I see. So you would, in that case if it's up to a self shipping merchant price of that closer to nineteen versus fifteen?

Jessica: Whatever their total is. Just take their combined price, the price plus shipping.

Pat: Just add them together, straight up.

Jessica: You don't have to even really compete with them. You don't have to try and go a dollar less than them or anything because Amazon

thrives on their Prime buyers, people who paid into their Prime membership. And so they paid to get free shipping so a lot of times people actually pay more money into an FBA seller than they would to a merchant seller but that's—again, like Cliff was saying, there are so many different pricing strategies. For just sending your first stuff, the most important thing is just making sure that you are competitively pricing with price plus shipping not just their price.

Pat: Cool. To finish off here, and then we have some resources for all of you really quick who want to just dive deeper into this and learn more about this. I think that this is going to have the same effect as Episode 99 for people who just want to try something new and get started and perhaps have never even heard of this thing called retail arbitrage. But based on Episode 99 and the last time you guys were on, any other big changes or things to look out for since the last time you were on and we talked about this? If not we can just call it because I think people are ready to go. Anything else we should know about before diving into this world? We'll have each of you share one thing, maybe.

Jessica: Cool. I think that one thing that has changed so much since we were on five years ago is that Amazon has become more commonplace. That more people know about it. Unfortunately, I think that one of the biggest misconceptions that's happened since then is that it is so easy, and I mentioned this in the beginning. I see a lot that people don't treat it like a business because, if we like to try . . . I feel like entrepreneurs like to try a lot of side hustles right?

Pat: Yeah.

Jessica: And there are a lot of side hustles that you can start without spending hardly any money and you don't . . . Having to pay for a bunch of stuff recurring . . . but with Amazon you have to pay for inventory, you eventually have to pay for tools and all these things. It's really important just to remember, from the very beginning, that it is a full-on business. It's not a brick and mortar business but you do have way more expenses that come into it, especially because you have to buy inventory. Treat it like a business from the beginning and

know what your expenses are. That's the thing that I see the most common is people—I think I mentioned this already—is that people will get to a point where they're like, “Dude I sold five hundred dollars worth of stuff but I don't think I made any money.” I think that's the biggest thing is that knowing up front that this is going to take some work. It's going to take some time but if you're willing to put in the effort and really treat it like a business then it can be something really amazing.

Pat: Well, how would you recommend, before I get to Cliff, how to keep track of your expenses so you don't lose sight of that?

Jessica: Very first starting out the easiest . . . Well, I don't know that it's the easiest but the least expensive way would be to use a spreadsheet. And just track how much you paid for every single item, any extra expenses that you have like when you're buying boxes and tape and paying your pro merchant fee and all that stuff. Putting a good detailed profit versus loss, I use GoDaddy bookkeeping to keep track of all of my income versus expenses so that I know, okay what's going out is less than what . . . Going out is less than . . . I'm saying it backwards each time. What's going out is less . . . I'm saying it wrong again. Sorry. You know what I'm trying to say.

Pat: You spend less than you make or you make more than you spend.

Jessica: Yeah. You're bringing in more money than what you're putting out in the business, right? And that—I think it's like ten bucks a month or something. At a point, you'll do something like that but in the very beginning at least just keeping track of what's going out and what's coming in.

Pat: Amazing. Thank you, Jessica. Cliff, any final words?

Cliff: No, I think we've covered it. You know, like Jessica said, treat it like a business. And then I think our biggest advice would just . . . make sure you're using that Amazon seller app to scan the products. If you go out and you decide to give this a try because that will be your

biggest help and partner for finding out which products are restricted. I think that's our biggest advice and takeaway.

Jessica: Yeah. If you don't use the app, what we find is people say, "I see that this is selling on Amazon for ten bucks and I can buy it for a dollar so I'm going to make nine dollars." No, that's not going to work. Definitely use the app.

Pat: Yeah and know the rankings and those kinds of things which obviously is a very important thing. Awesome. Thank you both for being on again and I appreciate it. We'll definitely link to all the things we talked about. The app, websites, the other episode that you guys were on back in the day. Before I let you go, Jessica, where can we go to get more info? What else do you have going on? Tell us all the things.

Jessica: When we are on last time. We were at jessicalarrew.com. Since then, we switched to thesellingfamily.com. If you go to thesellingfamily.com you can get a free seven-day email course which will take you through what we talked about today but in much more detail, more walkthrough style. If you're somebody, you just want to totally jump in and you want somebody to guide you step by step, then we also have a course called the Amazon Bootcamp. What I like as if people go through the seven-day course first, and that really will give you an idea of okay, this is something I really want to do.

Cliff: And Pat, too, I've been sharing on YouTube a lot of our finds. If people are curious about what we've actually been selling and how much profit we're making on certain items. I just kind of got into YouTube about two-and-half months ago just to do it for fun and increase our brand for people to see it and have some more exposure. But yeah, if people are curious about some things that we've been selling and finding you can [check us out on YouTube](#). Search, "the selling family." I have lots of videos up there. I have some tips and tricks on just all things Amazon.

Pat: Yeah, cool, I see, awesome. Great job. Thank you for that. I didn't even know you had that YouTube channel. I'm going to go check that

out right now and good luck to you both and I hope to chat with you again.

Cliff: Thanks, Pat.

Jessica: Thank you so much.

Pat: All right, I hope you enjoyed that episode with Jessica and Cliff. It was such a pleasure to bring them back on the show. I'm hoping that this episode will have an impact just like it did back in Episode 99. Now if you want to check them out and get a free how to get started, all the kind of things you need to know beyond this episode, all you've got to do is go to thesellingfamily.com/SPI. One more time, thesellingfamily.com/SPI, and obviously you can get that link and all the other links and resources—the app, the websites that you need for this process. You can get them all at the show notes on the Smart Passive Income blog. If you want to go directly there just go to smartpassiveincome.com/session377, one more time smartpassiveincome.com/session377.

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#TeamFlynnForTheWin. Cheers.

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