### Jungle Scout

How to Sell on Amazon | Chapter 5

# Finding a Supplier: How to Source Products for Amazon FBA

**Chapter 5** 

# Finding a Supplier: How to Source Products for Amazon FBA

Now that you've found your product or narrowed your list to a few final product options, it's time to find a supplier.

If you find this step a little intimidating, you're not alone. Many successful sellers today say they initially had no idea how to find or work with suppliers. However, with enormous advancements in technology, communication, and services to help facilitate international trade, it's a process that is simpler than ever.

We'll walk through 3 steps to find and source your products to sell on Amazon:



1. Research and compare relevant suppliers



2. Evaluate product samples and refine your product



3. Order and ship your products to Amazon's FBA warehouses

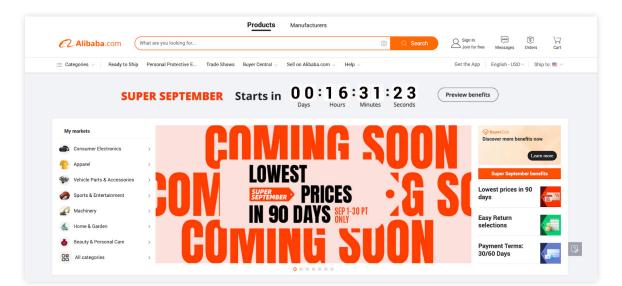
#### **1. How to research Amazon suppliers**

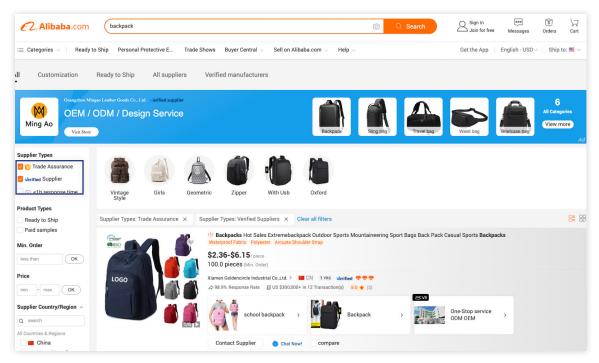
There are hundreds of thousands of manufacturers around the world that can create any product you can imagine. You'll want to narrow your list of potential suppliers to those who can produce the highest-quality product for you at the best price.

And there are a number of ways to find these suppliers.

<u>Alibaba</u> is the largest business-to-business platform in the world. Using Alibaba, you can find a manufacturer for almost any type of product to order in bulk and have them imported into their country. How to search in Alibaba:

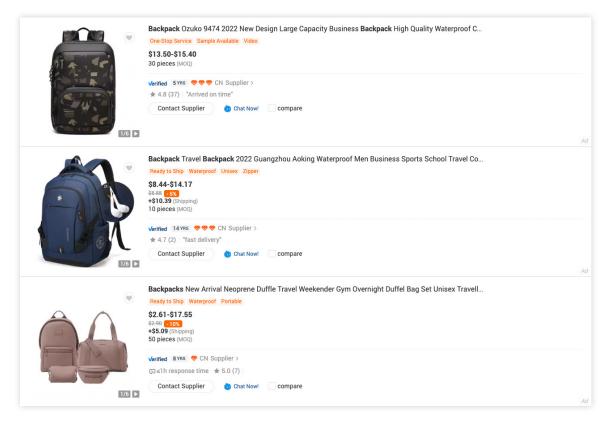
- The search function on Alibaba works just like on Amazon. Simply search for a specific keyword or set of keywords for a product, and it will yield a number of results.
- Filter through the various supplies that appear in the search results.
- On the left-hand side, check "Trade Assurance" and "Verified Supplier" to ensure you are dealing with a reputable supplier and that all purchases will be protected.
- Using Alibaba, you are also able to filter by origin country. Depending on the type of product, you may also see an option to source from the U.S., for example, which would make shipping less expensive for U.S.-based sellers (though the products themselves might cost more).





For this example, we'll search for a backpack.

Next, take some time to go through the search results and start identifying suppliers you may want to work with. You can narrow your search results for Verified Suppliers, among other factors.



**Jungle Scout's** <u>Supplier Database</u> allows you to search the largest database of global manufacturers and suppliers to find legitimate, verified suppliers for your products.

You can start your search in Alibaba.com or Supplier Database, but you'll definitely want to make sure to validate a supplier's credibility in Supplier Database, which features customer volume and confirmed shipments, as well as assists with contact information.

You can search Supplier Database by:

- **Product:** For example, if you type in "tea kettle," you'll see a list of manufacturers that have manufactured and shipped tea kettles.
- **Company:** Is another brand or competitor creating a product similar to what you want to produce? Enter the company's name into the database to see which global manufacturers they use. You may even be able to see additional details such as the number of units certain companies or brands are having shipped to them.
- **Supplier:** If you know the name of a supplier and want to verify their stats, such as number of shipments per year, types of customers, or other claims, you can search the supplier name directly in Supplier Database.
- ASIN: All of the products on Amazon are given an Amazon Standard Identification Number (ASIN). You can search a particular ASIN within the Supplier Database, and if that product was imported into the U.S., you'll be able to see the exact supplier that created the product.

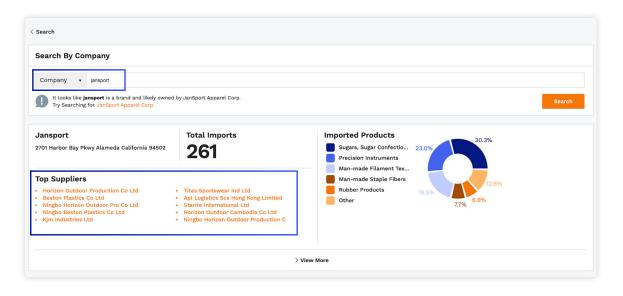
Since we searched for "backpack" on Alibaba.com, let's search the same thing in Supplier Database, searching by "Product."

This keyword returned more than 11,000 results that we can vet and narrow down to find a shortlist of verified supplier options.

Search		
Search By Product		
Product • backpack		
Region/Country Of Origin All	-	Clear Filters Search
Deego Technology Hongko 00% match score Based off your sea		Search for Contact Info [2] Save Supplier
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Total Customers @	- coungeoing out fail of Lt	Leather Articles, Handba Electrical Products Raw Iron or Steel 29.8% Furniture, Household Pr Other 28.1%

Another great way to use Jungle Scout's Supplier Database is to search for a wellknown brand. Using the backpack example, let's search for "Jansport," a large, reputable backpack brand.

Change the search filter from "Product" to "Company." The search results will then show the company you search for as well as their top suppliers. By looking through Jansport's top suppliers, you can more confidently assume that they're all reliable manufacturers who produce high-quality goods.



**Google** may also be a resource for your supplier research. Here are some tips to yield the best results:

- Conduct your search using quotation marks. By doing so, you tell Google to search that exact phrase. For example, enter "private label backpack" or "backpack private label usa" to narrow down your search to relevant results.
- Sometimes when doing this type of private label supplier research on Google, you may see Alibaba.com pages in the search results. If you want to exclude Alibaba.com, enter: "-site:alibaba.com" in your search, along with your keywords, to prevent any Alibaba.com site results from appearing.

**Sourcing agents** assist companies in sourcing products with the best quality and price. They often speak the language in the country from which you are sourcing in order to make the process much easier on you. This may give you a competitive edge in finding more affordable pricing. You can find reputable sourcing agents online.

#### What you should look for in a supplier:

As you're researching and comparing potential suppliers, make sure to evaluate them based on some key criteria:



#### High-quality products

Did you know that <u>Amazon shoppers</u> care just as much about reviews as they do about price? Selling high-quality products is the best way to keep your Amazon reviews high and get continued sales.



#### Experience

Look for a factory that has been producing your type of product for a certain amount of time (we recommend at least 3 years). You can see a supplier's import history in the Supplier Database.



#### Communication

You'll want to make sure you can find a factory that is easy to communicate with and responds to you in a reasonable amount of time. A way to judge this is how clearly they answer all your questions when you initially contact them for a quote.



#### Price

Of course, you want your supplier to give you a fair price. A factory that quotes a much higher or much lower price than other factories can be a red flag.

#### Contact suppliers for a quote:

- 1. Compare suppliers to create a list of 5-10 that you'd be interested in working with.
- Send an initial contact email to your potential suppliers using some specific guidelines. You can use Jungle Scout's Supplier Database to find a supplier's contact information. Often, your outreach is as simple as sending an email more on this below. If you have not narrowed down your list, you can also send a broad request for quotation (RFQ) out to a large list of suppliers.
- 3. Vet your suppliers based on their responses and communication to narrow down your list to your top 3 options.

#### **Email Tips & Template**

#### New Message

#### Hello,

My name is Greg from Jungle Creations. Nice to meet you!

My business is expanding our brand of bamboo products for home and baby. We are looking to purchase **baby hooded towels** for the U.S. market. (See attached photos.)

For this baby hooded towel, we estimate an annual purchase volume of 20,000 to 30,000 pieces after a trial order of 500 pieces and sample evaluation.

Product specifications:

- Size: 34in x 34in (92cm x 92 cm)
- Material: 100% bamboo (organic preferred)
- · Color: white (no dyes)
- Quality: high thread count, very soft, no loose threads
- Hood should have "ears"

#### Do you manufacture these types of bamboo baby towels with hoods?

If so, please provide the following information:

- 1. Photo, specifications, and EXW quotation
- 2. Are you a manufacturer or trading company?
- 3. What is your lead time for samples and trial order?
- 4. Can we add our logo to this item? If so, where can the logo be added? (Please provide options and photos.)
- 5. What is the cost for a sample with express shipping to the U.S.?

We appreciate your help.

Thank you,

Greg Mercer

End with specific steps. To conclude your RFQ, include a numbered list of specific questions that you want answered such as: "Can you handle my suggested product modifications?" and "What is your EXW quote?" (EXW stands for Ex Works, meaning the buyer is responsible for the transportation and all costs and liability from the supplier to their location.) "What is your MOQ (minimum order quantity)?" You can also request a price for a certain volume order and a product sample.

Introduce yourself! To make yourself stand out in a sea of email quote requests, use your initial email to make a friendly introduction. Giving a little background on yourself, your business, and your goals will go a long way.

Include as much product detail as possible, such as product measurements, material, specifications, packaging, and any other critical notes. If you demonstrate your product knowledge and ask the right questions, you'll establish yourself as a serious and trustworthy business owner.

Use clear formatting. To make sure all of your questions are answered as thoroughly as possible, number each of your questions, space them apart, and even bold the font to call their attention to reply with complete information. This will not only save time, but also (hopefully) provide helpful that will enable you to quickly and easily evaluate which supplier would be a good fit.

Don't forget to attach photos! Even if they are generic, images of similar products will help illustrate your requests and help break down any potential language barrier.

#### 2. Evaluate and modify product samples

Once you've narrowed down the list of suppliers to the ones who can offer you what you want based on your initial outreach above, it's time to order samples. This is an important step to ensure you're making the right investment and purchasing a quality product.

You should expect to pay \$50-\$150 for a sample, and have it sent to you by air. Once shipped, you should expect your samples within 1-2 weeks.

Note: You may experience delays due to Covid-19 pandemic-related restrictions or <u>supply chain issues</u>, so make sure to speak with your supplier about expected shipping timelines.

Typically when ordering samples, you will pay the supplier via Paypal. The supplier will give you their Paypal address and you simply just tell them the physical address to send the samples to.

But when using Paypal, make sure you send money with a linked credit card. That way, in case anything goes wrong or you do not receive the sample, you can dispute it.

You can also pay with Alipay if you buy through Alibaba.com. We recommend only using a wire transfer for very large orders with established suppliers.

#### Tips:

When ordering samples, ask the supplier to send you more than one item. That way, you can make sure their quality is consistent.

Some suppliers will credit the cost of a sample to you if you end up purchasing a bulk order from them, so ask if that is possible at the time you order the sample.

#### How to examine your samples:

Once your samples arrive, you'll want to check them carefully and compare products from different suppliers side-by-side. (Note: you can track your notes about features, costs, and even save photos from your suppliers in a tracker in Jungle Scout's Supplier Database.)

Consider the following:

- **Specifications:** Do the features, specifications, and overall quality match what you were expecting from the supplier's images and description? Are there any missing elements?
- **Quality:** If you were the customer, would you be happy with the quality of this product? Are there any components that bother you even in the slightest? (If so, it's better to address them now because Amazon customers are sure to reference them in their ratings and reviews!)
- **Marketability:** Is this a product you can confidently market to shoppers on Amazon? Does it adequately solve a consumer pain point or add value to their lives?
- **Utility:** Does the product work as intended? Try using your product in different ways and circumstances and consider how your customers might use them.

#### **Request any modifications**

If your product isn't exactly what you're looking for, you may request modifications to the sample. (Just note that the supplier will most likely charge you extra for any customizations made.)

Modifications can include adding a logo, changing the dimensions, adding or removing components, etc.

#### **Consider packaging**

Before you place a large bulk order for your product, you should consider whether you want to have branded packaging for your products (i.e., the box or bag that encases your product inside Amazon's boxes).

If you're a new seller, you may want to skip the packaging to make things simpler and to give yourself time to craft your brand. In this case, tell your supplier you would like to use the blank stock packaging that they provide.

But if you do want <u>branded packaging</u>, you should have the design for it ready for your supplier at this stage.

Here's why we recommend branded packaging:

- **It helps your product stand out on Amazon.** You can show off your packaging in your listing photos, which may add to the appeal and differentiation of your product from another's and increase your sales.
- It enhances the customer experience. Your packaging gives a shopper a more
  positive first impression of your product, which will affect their overall experience
  (and reviews). It also feels more special than cheap bags or boxes. (Take that
  lesson from the "Apple box effect" when customers love the packaging so
  much, they keep the box!)
- It helps you craft a brand identity. Great packaging will help your product come across as a "real" brand, which can be hard for new, unknown products on Amazon to achieve.

The supplier or manufacturer you're working with should give you the exact dimensions of your packaging so you can pass that information along to a graphic designer.

**Tip:** You can find graphic designers with experience in Amazon packaging design on many <u>freelancer platforms online</u>.

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Work with the designer to craft exactly what you would like your packaging to look like.

- Consider colors that will stand out in the product listing results and make sure any font or logo is easy to read.
- Make your branding clear and simple. You don't want to overload the packaging with lots of distracting graphics. Let your customers know exactly what is inside.
- Use a specific font or style on your packaging that you would for any other graphics or marketing. That way, customers can learn to recognize your brand.
- If you are doing some type of flip top box packaging, you can add something to the interior of the box such as your branding, a fun message, or some additional and useful information.
- Consider including the main selling points or uses of your product on the packaging (in text and/or images), as well as a slogan to help create brand identity.

You can also ask the designer for some suggestions based on their experience, or look on Amazon to see how similar products (or even competing products) package their goods. (Then make yours more attractive!)

Check out these packaging designs for inspiration:



The sleek black box with teal blue font creates an identity for this brand that customers will begin to recognize. The packaging also includes elements like stickers and coasters to give the customer something special and "extra."



The warm, bright branding of this box gives its owner an instant impression and positive message, and also emphasizes the type of product (subscription box) in its messaging.

Send your final design back to the supplier. (You can certainly ask multiple suppliers to create these designs, but it will cost extra.)

Ask your supplier to send you a few images of the completed packaging so you can make sure everything is up to your standards. You may also want your supplier to send you physical samples of the finished product including your packaging so you can inspect it. Just be aware, this will slow the production of your products and may incur an additional shipping charge.

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#### Tips:

If your product is going to be sold exclusively on Amazon, you may also send your supplier your FNSKU barcode to print on the packaging. (You will only be able to receive the FNSKU barcode after creating your product listing, but the listing can be brand new and inactive. This is another reason it's important to set up your account early!) With FNSKUs, you won't have to label your products every time they're sent to an FBA warehouse.

When working on your packaging, make sure it meets Amazon's packaging and prep requirements. Review Amazon's <u>Terms of Service</u> before finalizing your packaging so you can make sure you have the required packing materials or other elements and no other prep will be required once your products arrive at the port.

At this stage, you may also want to consider adding a UPC or similar code to your product packaging. We explain these codes more in the next chapter.

#### Negotiate your price and payment terms

Once you're satisfied with the product, you can begin negotiations with suppliers to find the right deal. Don't let pricing and negotiation intimidate you! One of the main reasons you contact multiple suppliers is so you can get a good idea of the acceptable range of pricing available for the type of product you are seeking to create.



#### Price

Don't settle on the first price that a supplier proposes. See if there is some room to work on pricing by asking if the supplier can lower the minimum order quantity (MOQ), or if you can get better pricing per item by ordering a higher quantity. Can the supplier help cover shipping costs?

It will help your negotiations to indicate that you are a worthwhile customer the supplier will want to keep. State how you want to build a long-term business relationship and plan on reordering from them every couple of months.

Be as direct and clear as possible. For many FBA sellers, there are language and cultural barriers when communicating with global suppliers, so be sure you are very clear about your pricing terms.

After contacting multiple suppliers, you will have a good idea of your pricing options, and can compare by average cost per unit from one supplier to another.



**Tip:** While most suppliers state an MOQ of 1,000, sellers sometimes get that number down to 500 or even 250. However, if you plan to ask for modifications outside of a simple logo, 1,000 is standard MOQ.

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#### **Payment terms**

You may be able to negotiate paying 30% for your entire order up front, and then the remaining 70% before the supplier ships the product. Or, sometimes you might pay 50% up front and 50% after. Some of the team at Jungle Scout have worked with suppliers that have charged 100% up front, but only after building enough trust with them to be confident in those terms. We recommend paying 50% up front and the other 50% once your product is completed and the supplier sends you photos of your products packaged and ready to ship.



#### **Payment methods**

Paypal is a good payment method for samples, but it may incur a 5% fee for larger orders. Some sellers choose to use PayPal to pay for a large order because you are able to open a dispute if anything goes wrong with the order. If the supplier does not want to pay the fee they will incur, you can offer to pay it for them if this is the payment method you'd prefer to use.

Telegraphic transfer (TT) is a common payment method similar to a wire bank transfer. You can make a TT payment using Trade Assurance on Alibaba.com, keeping the payment safe and secure. There is typically a \$25-\$50 fee per transfer and the funds may take 5 to 7 days to be received by your supplier.

If you're using Alibaba.com, you can pay through Alipay, the platform's secure payment service. This method allows you to use credit card, debit card, TT, bank transfer, or other payment types, and your money is not released to your supplier until you confirm delivery. Approved buyers in the U.S. can also pay for orders by invoice using Alibaba.com Payment Terms, making a small down payment and then taking up to 60 days to pay for the remainder (after your products ship).

Some suppliers you find through Alibaba.com may also offer Trade Assurance, which essentially protects your order in case anything goes wrong with product quality or on-time shipment.

Many sellers recommend avoiding Western Union because there are limited means of recovering your money if anything goes wrong.

#### 3. Order and ship your Amazon products

#### Place an order with your top supplier

Once you've settled on a price, we recommend creating a purchase order to send your supplier, and then paying their invoice.

Jungle Scout's Supplier Database has sample purchase order agreements you can include, as well as a template to fill out to generate a purchase order. You input unit cost per item, shipping, description of goods, business name, supplier info, etc. and it generates a PDF you can send to the supplier. You may not be able to legally enforce your purchase order, but it's a professional way to make very clear what you are ordering.

#### Run an inspection to ensure the quality of your product

You may be asking yourself, "If I received a sample from the factory, why do I need to have an inspection done?"

Sometimes, in the manufacturing process, there may be flaws or defects in some of the units. Whether the supplier used cheaper materials to mass produce your order or took other shortcuts, you want to be 100% certain that all of your products are in good, working condition before being sent to Amazon.

You can contract with an inspection company to check on your product's quality. Some common inspection companies include Qima and VTrust, or you can search for another.

Essentially, these companies will send a representative to the factory where your product is being produced. They will typically review overall product quality, quantity, proper function of the item, and correct packaging and labeling, or you can ask them to check for specific things.

If paying a third party to run your inspection is out of your budget, you can also ask your supplier to send you pictures of your items throughout the production process, or potentially even video chat with you so you can see the products yourself.

#### Get your product to Amazon's warehouses

You have a number of options to get your product from your supplier to an Amazon warehouse.

#### Go through your supplier

For most FBA sellers just starting out, your supplier is likely to have their own partners and relationships with shipping companies that they want to use. They are very familiar with selling on Amazon and can make shipping very easy for you.

Going through your supplier is easier and more cost-effective if your order is considered small (fewer than 200 kg, or about 440 lbs.). You'll work with your supplier to arrange express air shipping (using DHL, Fedex, UPS, etc.) and have your products shipped directly to your home or warehouse, or to a third-party preparation center that will prep and ship the products to an Amazon warehouse for you.

You can get quotes from your supplier on costs.

#### Use a freight forwarder

As you scale your business with larger orders and multiple products, we highly recommend using a freight forwarder.

This is a better option if your shipment weighs more than 200 kg in total. (Your supplier can tell you the exact weight and dimensions of your shipment.)

#### What is a freight forwarder?

A freight forwarder is a professional third party that arranges the entire international shipment process, dealing with a number of complicated steps including customs, packing, labeling, and more.

You can find and compare freight forwarders on a site like <u>Freightos.com</u>. Evaluate your options by price, whether they have worked with sellers of your size or imported your type of goods before, how well they communicate with you, and whether they are knowledgeable on all of Amazon's requirements.

If you're using Alibaba.com, you can use <u>Alibaba.com Freight</u> powered by Freightos to receive instant quotes, book, and manage your shipping solutions with end-to-end visibility all in one place.

#### Shipping and preparation

Step 1: You choose Air Freight or Sea Freight shipping.

- Air freight is a much faster option than shipping by sea (typically 5 to 10 days), but will be much more expensive (usually about \$5/kg).
- Sea freight takes longer (a month or more) but is much less expensive (about \$1/kg).

**Step 2:** Your freight forwarder or supplier will make sure your products are delivered to the port of entry of the country you're shipping to and begin going through customs clearance.

**Step 3:** You pay your customs duties. Note that your supplier will typically build this cost into your shipping invoice, so you don't have to worry about calculating or paying duties separately. You can estimate your custom duties and taxes by using an <u>Import and Customs Duty Calculator</u>.

Typically, if the value of the shipment is under \$800, duties are free.
 Otherwise, the tax rate depends on the value of the shipment, country of origin, and what type of product you're shipping. (For example, cotton products might be taxed higher than, say, a toy.) Each product has an "HS Code" which determines the type of product/use. The supplier should have this code.

**Step 4:** Have your products prepped for Amazon. Find out Amazon's packaging and <u>prep requirements</u> for your products. For example, you might be required to protect your products in bubble wrap, polybag. etc. You have several options for this:

 If possible, have your supplier prep the products for you as it will be much more affordable, if not free of charge. (You should do this when discussing packaging and negotiating pricing. For example, ask your supplier to polybag each unit with your FNSKU. The supplier may charge extra for prepping or additional materials used but the cost is typically low around \$0.10/each, and you can usually negotiate it for free as part of your order).

- If your supplier did not get your products "Amazon ready," you will need to have your goods prepped for Amazon, including labeling and palletizing. A third party logistics (3PL) company can help prepare your goods for Amazon. They will label, pack, and ship directly to Amazon's warehouse for you.
- 3. You may also have Amazon prep for you at an additional charge.

Step 5: Create your shipping plan in Seller Central.

- You will set your "ship from" address as the freight forwarders' warehouse address or prep center's address that you used. (If you did not use a prep center, the address would be your business' location or home address.)
- When you have all your shipping labels, you will send those to your freight forwarder or 3PL prep center to ship to Amazon.
- Once your inventory is prepped, your freight forwarder will have everything shipped to an Amazon warehouse!

**Tip:** Check out our <u>video tutorial</u> on creating a shipping plan in Seller Central!

# Let's get you started on Amazon FBA!

Amazon FBA changed my life, and I hope it can help you change yours, too. Whether you're looking for financial freedom, a 4-hour work week, to expand your brand, or to create something that's your own, we want to help you succeed.

At Jungle Scout, we provide tools that are powerful but easy to use, the most accurate data, and the best possible support to help you at every step of your journey.

Don't forget to check out our **Resources Page** (bookmark it now!) and follow Jungle Scout on social media to see more tips and info that the team and I continue to share to keep you on top of your Amazon game.

And as always, if you have any questions, don't hesitate to reach out: gmercer@junglescout.com.



<u>Greg Mercer</u> Founder & CEO of Jungle Scout 8-figure Amazon seller



## **About Jungle Scout**

Jungle Scout is the leading all-in-one platform for selling on Amazon. Founded in 2015 as the first Amazon product research tool, today Jungle Scout features a full suite of best-in-class business management solutions and powerful market intelligence resources to help entrepreneurs and brands manage their Amazon businesses.

Explore all of Jungle Scout's included capabilities:



Get started with Jungle Scout today!