

A photograph of a woman and a man working together on a laptop. The woman, on the left, has dark curly hair and wears glasses and a blue denim shirt. The man, on the right, has grey hair and wears glasses and a light blue button-down shirt. They are both looking at the laptop screen. The background is slightly blurred, showing what appears to be a warehouse or office setting with boxes.

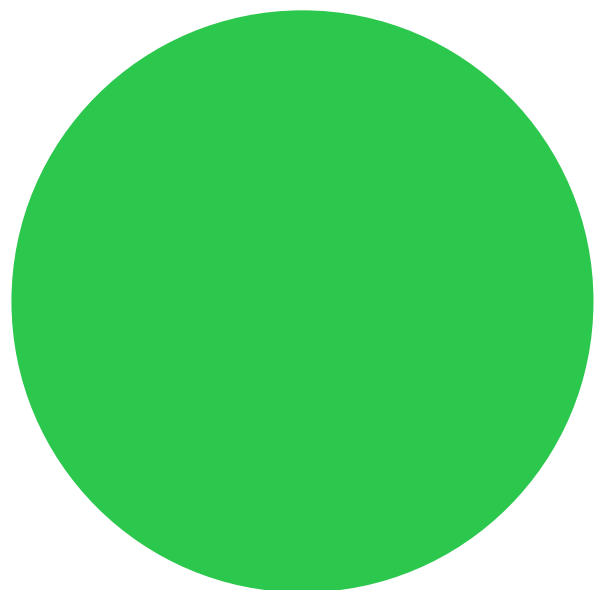
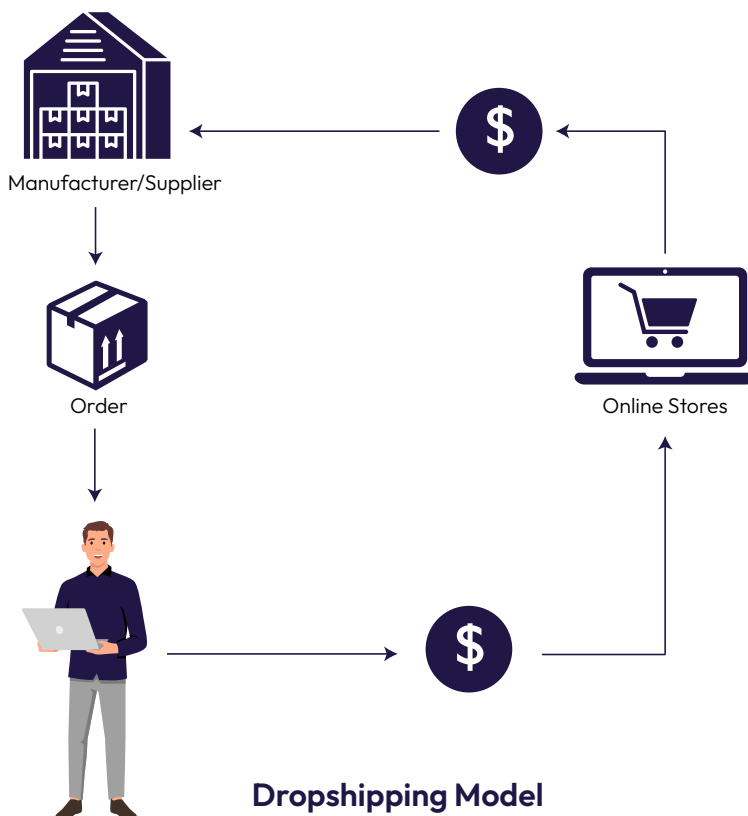
Is Dropshipping a Lucrative Way to Earn Passive Income for Retailers?

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The Evolution of Digital commerce happened in early 2010, but the spotlight focused on the importance of the retail supply chain post-pandemic. With the disruptions and bottlenecks over the past years, all too often retailers found themselves in a vulnerable position. Global retailers and ecosystem players are entirely rethinking their businesses and ways of working, heralding much change ahead. Among other areas, we predict that Logistics will dominate retail investments. In a word, it's all about distribution.

Global retailers like Alibaba, Amazon, Carrefour, and Walmart have invested for years in logistics — but the 2020 pandemic sorely tested those capabilities. In 2021, we saw retailers and brands investing heavily in everything from micro-fulfillment centers and dark stores to subscription models, and loyalty programs to engage customers.

One such model that caught significant attention in the market is Dropshipping. Which is famous for its zero-inventory approach, Minimal capital investment, offering a wide range of product catalogs, and low exit barriers. Here the retailer need not manufacture, hold, or ship the products. All he owns is a virtual store and acts as an intermediary between the customer and supplier. Just like a coin has its two sides dropshipping does have its challenges such as Minimal profit margins, low barriers-high competition, and a deficit in Customer experience. It would be interesting to see how Dropshipping is perceived by retailers.



Which Is A Suitable Model For Your Business: Dropshipping or Inventory-Led-Model?

Evolution is known to be about the survival of the fittest, but isn't that a misinterpretation? The fittest does not mean the strongest or the smartest; it means the most adaptable. When it comes to business, going Direct to Consumer (D2C) could be the smartest way to stay ahead and connect with customers. Top brands such as Nike, Adidas, Unilever, and Nestle are stretching their arms in the D2C market, as the pandemic has majorly bought a shift in customer behavior. Strategies such as the Omnichannel model, futuristic store, personalized shopping, and subscription model are practiced engaging customers for the long term. A report from PipeCandy and Rodeo predicts that as many as 75% of DTC brands will have a subscription-based offering by 2023. Unilever has acquired brands such as Paula's Choice, Murad Skincare, Living Proof, and Dermalogica to launch its Prestige Beauty category in the D2C model.

But what about the retailers who are looking to pilot run their products in the market before investing lump sum capital in the market? Ecom giants such as Walmart and Amazon both leverage dropshipping with vendors on their platforms. An excellent example is the famed fidget spinner. Fidget spinners took off in 2017 as a trending product among younger buyers. Many fortunes were made during this time for dropshippers who joined in early. But within 8 months, the trend had slowed down significantly. As soon as the product lost steam, so did the opportunity to make money. For retailers who aim to build a sustainable, long-term business with high growth potential, control over the customer experience, and focus on retaining customers dropshipping might not be the optimal way to get there.

But even this perception is a slightly debatable brand like Prada whose 90% sales are now direct, with an unconventional drop-ship model deal with Net-a-Porter signaling a major change in the way multi-brand retailers may operate in the future. Here Prada will own and handle its inventory whereas Net-a-Porter earns a commission on each Prada sale. This is Prada's one of the strategies to sow seeds to enter the D2C market.

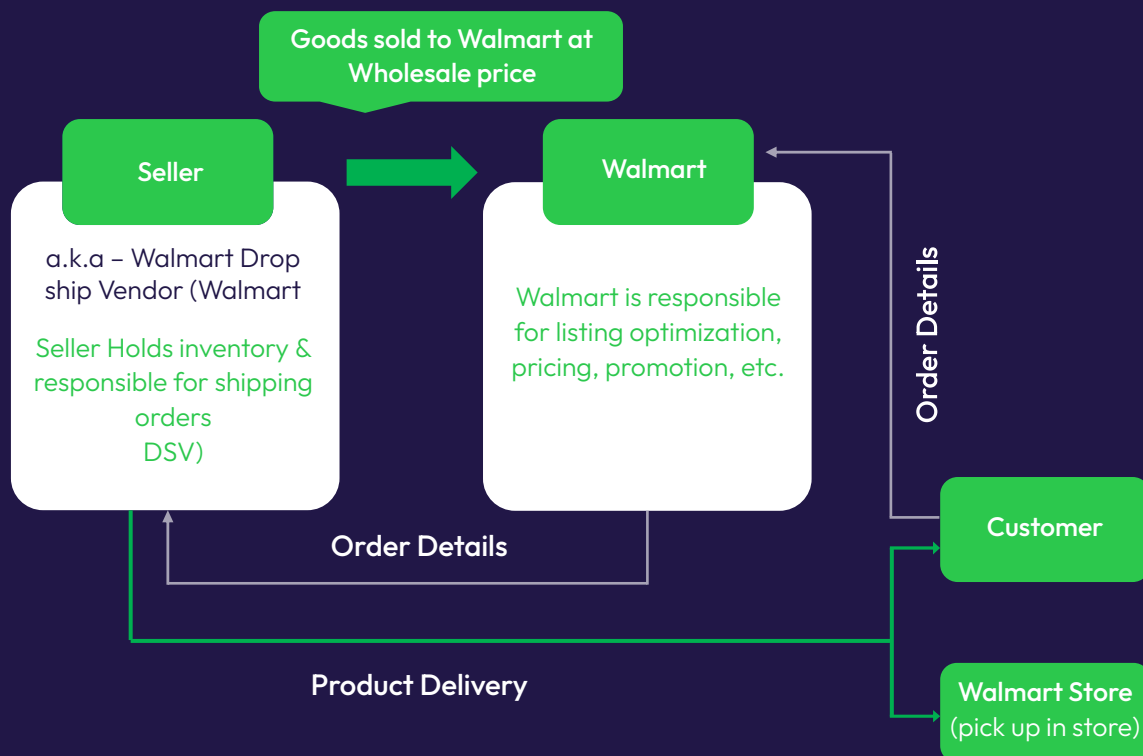
Therefore, which model to adapt depends upon the product, capital, long-term strategy, customers, & available resources.

How Walmart Dropshipping Works?

Walmart has proven itself to be a rapidly growing competitor in the e-commerce industry, increasing its online sales by 79% in the 2021 fiscal year. As Walmart continues its dramatic growth, brands are quickly realizing the importance of selling on Walmart.com and many are joining Walmart's "Walmart Drop Ship Vendor program". These are the various selling options available to brands who sell on Walmart.com.

	Walmart 1P Selling through WFS	Walmart 3P selling through Self-fulfillment	Walmart 3P Selling through WFS
	A.K.A Warehouse Suppliers Seller ships product to the Walmart Fulfillment	Seller owns & control the inventory	Seller owns & control the inventory
Walmart 	Walmart controls product listing, pricing, shipping, returns, and customer service Fulfillment centre	Acts as a Platform	Acts as a Platform
	"Order fulfilled by Walmart"	"Order fulfilled by Seller"	"Order fulfilled by Seller"

Walmart dropshipping is a hybrid between the 1P and 3P models of selling. Walmart purchases your product from you at wholesale price and lists the product on its website. The company handles listing optimization, pricing, and anything else customers see on Walmart.com. Unlike the 1P model, the seller holds all their inventory and is responsible for shipping orders but here Walmart will pay for all product shipping.



**Walmart Dropshipping Model
(Walmart DSV)**

Brillio's Perspective

How does dropshipping work?



Brillio can be a strategic partner to build a Digital commerce capability for your Dropshipping strategy. Here the suppliers will be integrated into the online store. The dropshipper can monitor the inventory before accepting an order from the customer and once the order is accepted the order details are forwarded to the suppliers. The online store may include product catalogs, customer account details, payment modes, personal assistance, order status tracking, loyalty programs, terms of use, etc.

The solution will mainly focus on.

- Building user friendly application
- Product catalogues & assortments
- Seamless payment gateways
- Suppliers' consolidation
- Standardizing flow of information, goods & money
- Real-time Inventory Monitoring, Replenishments & OMS
- Increase end-to-end Supply chain visibility
- Improving personalization

The Paradigm Shift in the Retail Industry

Observing the shift in the paradigm of the retail industry, which is majorly driven by technology & customer behavior dynamics. Dropshipping model can be considered as one of the business models, which is molded as per the customer buying behavior and retailer approach toward zero-inventory retailing. It can also be considered as a lucrative way to earn passive income for the retailers as there are no huge investments required and is flexible to operate from anywhere at any time, once the business flow is optimized it runs can on an auto-pilot mode. Thus, generating a passive income for retailers. It would be interesting to see how many retailers adopt the dropshipping model in the coming years.

ABOUT BRILLIO

At Brillio, our customers are at the heart of everything we do. We were founded on the philosophy that to be great at something, you need to be unreasonably focused. That's why we are relentless about delivering the technology-enabled solutions our customers need to thrive in today's digital economy. Simply put, we help our customers accelerate what matters to their business by leveraging our expertise in agile engineering to bring human-centric products to market at warp speed. Born in the digital age, we embrace the four superpowers of technology, enabling our customers to not only improve their current performance but to rethink their business in entirely new ways. Headquartered in Silicon Valley, Brillio has exceptional employees worldwide and is trusted by hundreds of Fortune 2000 organizations across the globe.



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