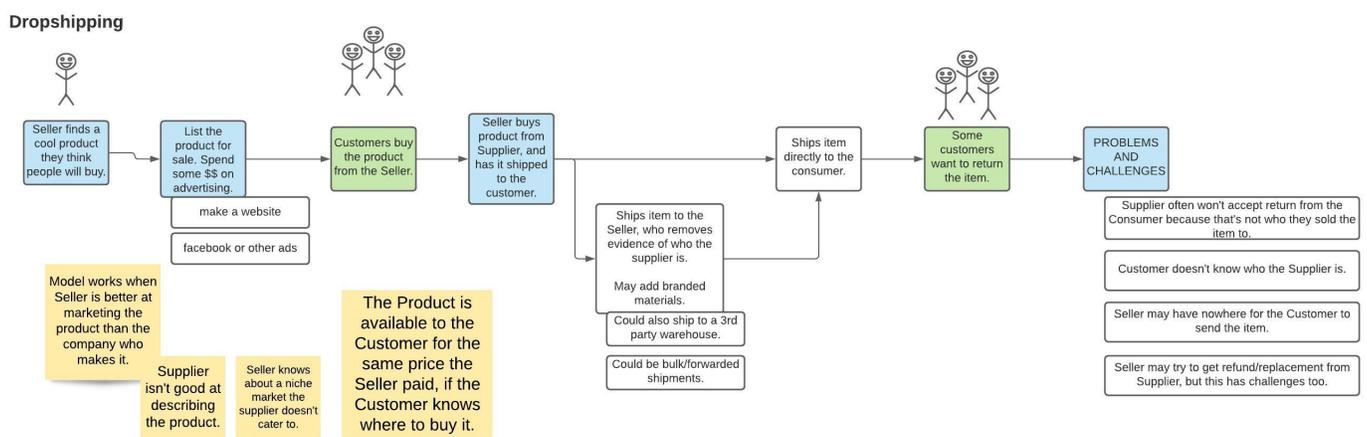


Ecommerce Business Models Explained

This is far from an exhaustive or comprehensive list, but this page illustrates some of the most common ecommerce business models and how they work.

Dropshipping Business Model

Basic idea: the seller is listing inventory for sale they don't actually own. They buy the inventory once a customer pays, and then ship it to the customer.

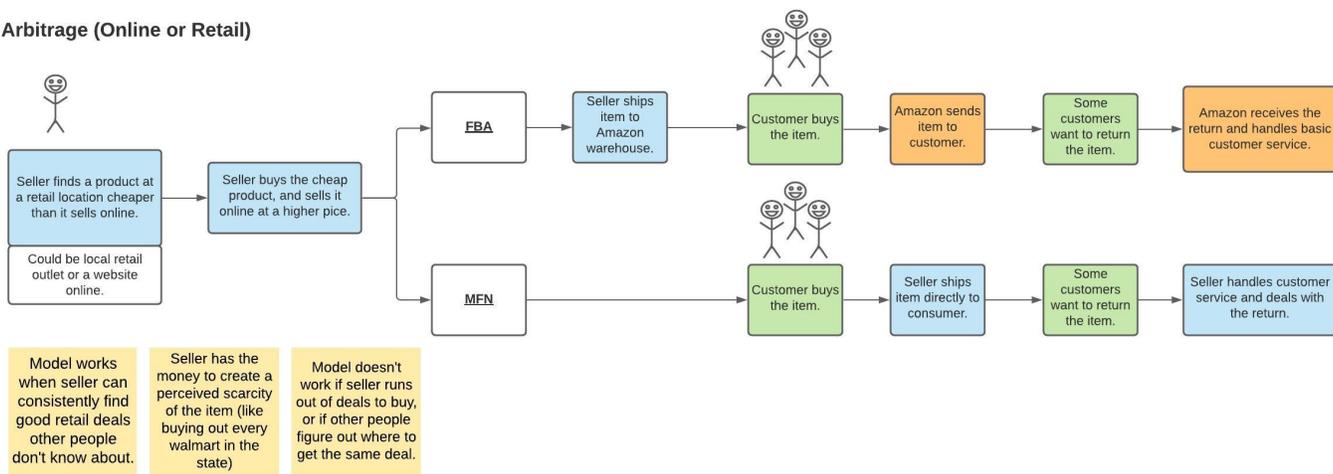


Arbitrage (aka OA or RA)

Basic idea: Seller buys inventory at a discount from a retailer or online store, and then sells it at a higher price somewhere else.

Many 3PLs charge extra or refuse to handle arbitrage. This [article explains why](#).

Arbitrage (Online or Retail)

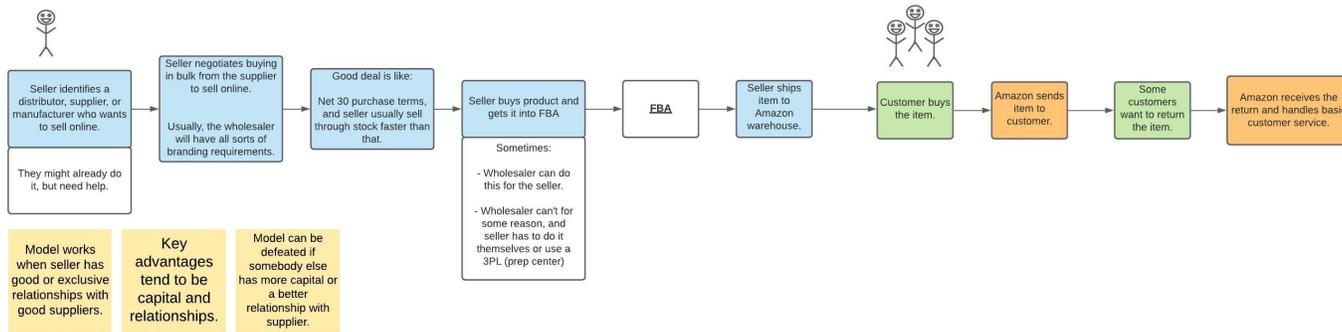


Wholesale

Basic idea: Seller negotiates a deal with a wholesaler, distributor, or manufacturer to purchase large quantities of products in bulk at a discount. The seller then sells them online.

Wholesale can have certain advantages over private label, especially getting started.

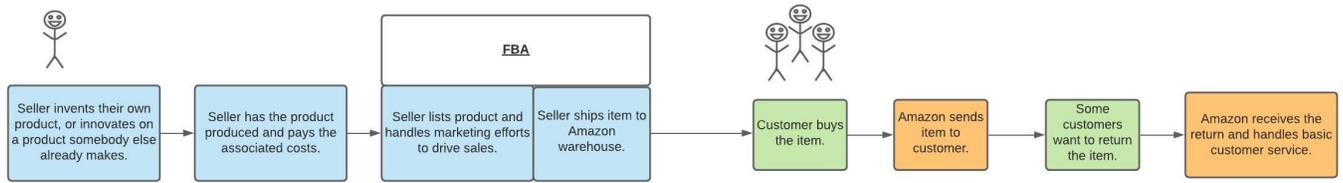
Wholesale (FBA)



Private Label

Basic idea: Seller invents their own product or innovates on someone else's. The seller then has it produced, markets it, and sells it online.

Private Label (FBA)



- Model works when seller invents and innovates product, markets, and produces it well.
- Model requires marketing skill, capital, and much supply chain knowledge.
- Model defeated when market trends change, issues with suppliers, or intellectual property theft.
- When done well, this model is the hardest to compete with.

From: <https://wiki.ldrprep.com/> - **LDR Knowledge Base (Keep it ISO)**

Permanent link: https://wiki.ldrprep.com/public_pages:new_sellers:ecommerce_business_models_explained

Last update: **2021/09/17 11:27**

