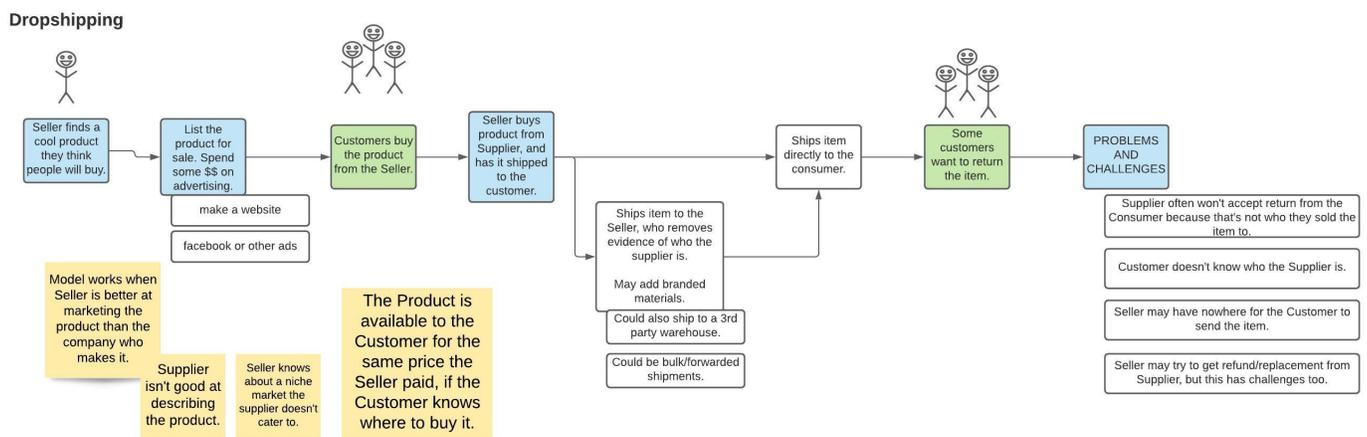


# Ecommerce Business Models Explained

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

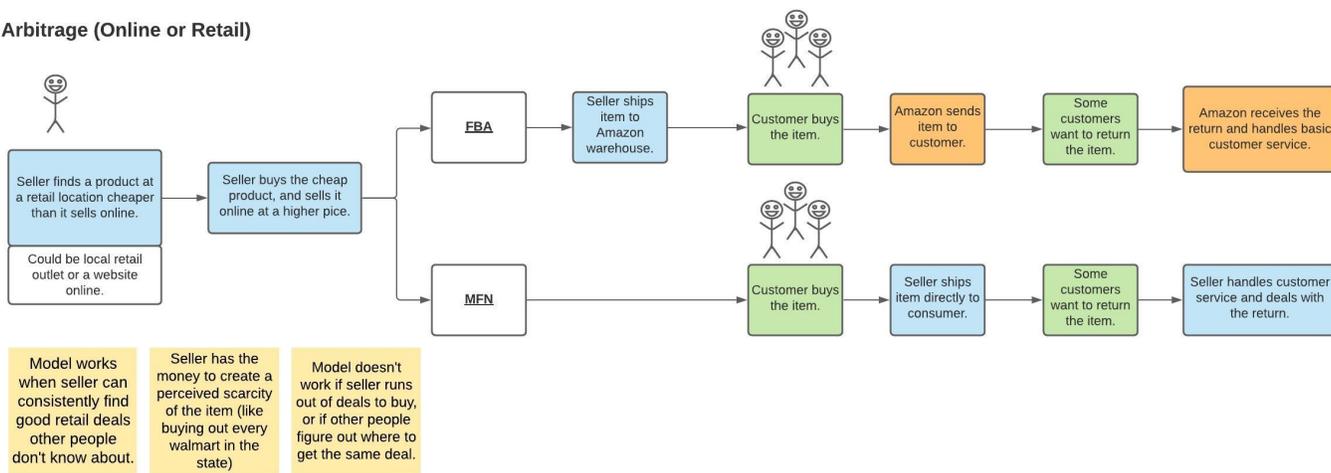
Basic idea: the seller is listing inventory for sale they don't actually own. They buy the inventory once a customer pays, and then ship it to the customer.



## 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.

### Arbitrage (Online or Retail)

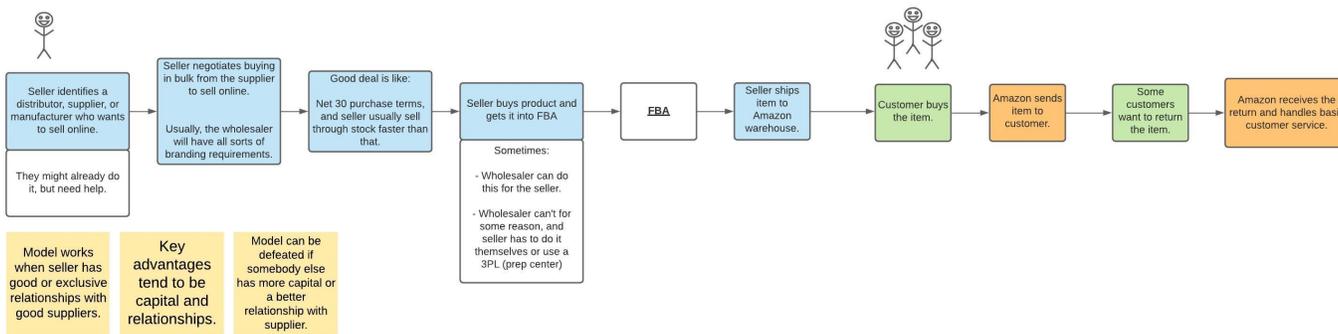


## Wholesale

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.

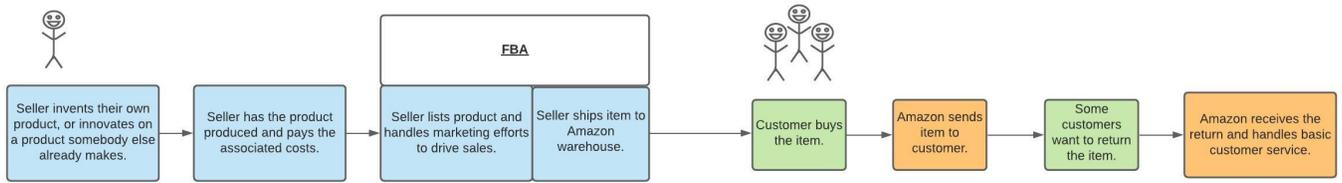
### Wholesale (FBA)



## Private Label

Basic idea: Seller invents buying 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.

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