

"The Robert Plank Show"



Episode #095

[Tim Jensen Explains Amazon Retail Arbitrage](#)

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Amazon Makes It All Simple

Robert Plank: We have Tim Jensen on the line here and he's going to talk to us about Amazon selling and retail arbitrage. The very first time that I noticed this, it blew my mind, when I realized that sometimes if I go and buy a book or paper towels or whatever kind of household item, sometimes it sells from Amazon, but other times these items sell directly from other sellers.

What it makes it even crazier is that many other times we don't even realize that some of these Amazon sellers will mail in thousands or tens of thousands of items to Amazon's warehouses, and then they'll just sit there.

Then, when we as the buyers, go and buy some of these items, the sellers will just go ahead and get the credit for those sales, whenever those are made. Amazon, it appears, has made this whole online selling thing, this thing of selling physical products way easier than alternatives like eBay and gives us tons of traffic, so we have one of our top students from our [Dropship CEO](#) program, Tim Jensen, here to talk about it with us.

Tim Jensen: We've been doing this a couple of years. Can you imagine shipping on your own, within 30 day's time, 2100 products? Probably not.

Robert Plank: Is that 80 units per day?

Tim Jensen: I guess. I didn't run the math. I'm looking at my numbers right now and my 30 days from this moment, from the last 30 days, Amazon has shipped 2130 of our products and it is grossed us 27 500 in sales in those last 30 days.

Robert Plank: To earn that, you didn't have to spend 20 hours going back and forth to the post office. You don't have to have a bunch of employees. Most of the work, it seems, is done by Amazon.

FBA Selling Terminology

Tim Jensen: That's the whole thing and that's what we're going to talk about today. The first thing I want to do is start out, is talk about some terminology because you have to know the lingo to understand the rest of what I'm going to say. Some of this stuff is going to be very, very basic. For instance, the very first thing you have on my list, inventory. That's the stuff you're selling. Pretty obvious. That's going to be supplies, which is my second thing. That's tape, boxes, labels, stickers, shipping boxes, magic markers, label printers, that kind of stuff.

Sourcing would be obtaining the inventory from whatever source that you choose. I'll get to the different sources in a second. When I talk about UPC, that's Universal Product Code, that's the barcode that identifies the product.

A SKU is kind of the same thing as UPC, but SKY stands for Stock Keeping Unit. FBA is Fulfilled By Amazon. MF is Merchant Fulfilled. That's where I ship it from my place directly to the customer. Prep is paring your SKU for sale. That might be re-boxing, that might be bubble-wrapping, that might be removing stickers from the merchant that you bought it from or price tags, a sticker that might say BOGOHO, "Buy one, get one" or, "Sale ends" such a date or, "Exclusively at."

You don't want the customer to know where you bought it from and you don't want to let them know how much you paid for it. Can you imagine paying 10 bucks for something, selling it for 50 and you left the price tag on. How stupid is that?

Robert Plank: As a seller I've done that sometimes. The very first time that we see all this Amazon stuff, it's like there's just a mountain of terms and a whole glossary thrown at you, so I'm glad that you recapped all that. That, like, prep is the bubble-wrap, there's Merchant Fulfilled, Fulfilled By Amazon, UPC bar code, a SKU is a stock keeping unit, there's inventory...

Tim Jensen: RA is Retail Arbitrage. That's where I go, drive to my local store. Maybe it's a nation-wide chain, maybe it's a local chain or a regional chain, and I purchase the product from the retail store, bring it home, repackage, re-box and ship it out. Online arbitrage is a similar type, but instead of going to a physical store, I'm going online to a store's website or a wholesale warehouse website and I'm purchasing the product online from that merchant. Wholesale is where you're purchasing your product in bulk from a supplier. You're getting a reduced rate, but you guarantee a minimum rate of maybe a 1000 dollar purchase or 500 or 2000 or however money dollars that you're doing to get the better price. That's wholesale.

The last one I have is PL, which is Private Label. When you're purchasing from a manufacturer who'll put your brand name on the product. The supplier might be from China, but I would personally look for a US-based supplier. That's another topic for another time, though.

Instead of Fisher-Price or Lego or Nike or Levi's or Firestone, it's going to be your brand name on the package and on the product. Those are the different terms that I came up with when I was thinking about this and talking it over with my wife. My wife is my business partner and we operate out of a one store garage and out of our living room. That's it.

Point #1: Think "Big Picture"

We don't have a warehouse. We don't have a storage unit. We don't bring anything upstairs or downstairs, and that's basically for me, so I don't have to carry it upstairs or downstairs. We do retail arbitrage and wholesale at this point. That's just for the last, it'll be 2 years in September. That's our business model. The first topic that I want to talk about is called thinking the big picture. You've got to get the big picture with this business. The reason for that is, you have to make a long term commitment if you're going to do Amazon, in my opinion. This is all my opinion here. This is not a business that you should approach lightly. If you're going to do it, do it for the long haul.

This is not a get rich thing with Amazon. It's basically a mail order. You go to Amazon's website, you find the product, you click, you order, they ship it to your house. In the old days, mail order, they would send you catalog or a flyer, and you would buy something and then they would ship it to you, and then they would send you a catalog periodically. There's companies that still do that, where you have the catalog rather than the online. That's basically a mail order, but it's not get rich quick. Why is that? It takes time to purchase.

It takes time to prep or prepare. It takes time for you to pack it, ship it to Amazon, Amazon receives it, Amazon, a lot of times will receive at a distribution warehouse, which is a different warehouse than their fulfillment warehouses, and they have several fulfillment warehouses in every state in the union. Each one of these can be, I don't know, 30 football field big or 90. I don't know the dimensions, but they're huge warehouses. Ours go to a warehouse in Illinois. Then they turn around and they break it up and they split it up to all 50 states, all over the country. Why do they do that? So that when they ship at UPS, their UPS charges lower because they're shipping at maybe from a California warehouse to Robert's house, that kind of thing.

They've distributed it. They ship, they put it to the distribution warehouse. Then they ship it to the regular warehouse. Then they have to sell it. Then they collect the money and then finally they ship to the customer. Then you get paid, after all of that. This process takes a minimum of a month and usually longer. It can take 90 days, 120 days. It just depends on how long it takes for your product to sell. This is a long term commitment. It is not get rich quick. That's why I say you got to plan a minimum of a year or just move on, do something else. Find something else because you're not just going to "try Amazon." All right, so that's the first thing, long term commitment.

Invest in Inventory and Scale

The second thing in the big picture thing is you have to be able to invest in inventory. You can start out with 100 dollars if you want. Just realize the trade-off that you're making because when you have to have 100 dollars that you purchase in inventory, you have to pay to get it shipped, you have to pay Amazon a fee every month to be a professional seller. I don't recommend the other one because it's way more expensive. You can just start off small and invest. We started our first day with retail arbitrage. I talked to my wife about it over lunch. We went to a bunch of retail stores in La Crosse, out in Onalaska, Wisconsin area. We had a little bit of seed money.

Just realize that when you're only spending 100 dollars, it's going to take for your business to grow. When investing in inventory, our first goal to make this business sell was to make this business self-sustaining financially. We didn't want to keep drawing money out of our personal account. We wanted the business to finance itself so we were always reinvesting the profits. Anything we make goes back into inventory. That gets back to the warehouse and so forth. It's just a constant cycle. The second goal after we've made the business self-sustaining, that's a separate checking account for that business too, which I highly recommend you do ... There's a lot of tax implications that if you have them together with your personal funds, it just makes it a mess. It's just so much easier if you have it separate from your personal finances.

Second goal is to start to scale. You're investing all your profits back into the business and it just snowballs. It starts to grow, but you're obviously making wise business decisions. You're only buying things that you know sell well. A lot of that, you can learn on and that's based on Amazon rank and so forth. When the business is booming, after you've started to scale it a little bit, and only when your business is booming, you may need to secure financing. That's another topic for another time. Generally you want it to be self-sustaining as best as you can. For instance, last year in November we had all our money tied up in inventory.

Since Amazon only pays every other week, we had to wait until we were paid before we could buy more inventory, so it's a nice problem to have, but when you are coming up on Black Friday and Cyber Monday, you absolutely want to be sending in stuff and sending in stuff. When you're out of money, that makes it really difficult. That's why securing financing can be helpful.

Robert Plank: You mentioned retail arbitrage and different steps. You're taking your smartphone into some of these stores and scanning items. Is that right? Is that how you locate these things to mail in?

Tim Jensen: Yeah. We're doing that when we're researching products. We run about 25 to 30 SKUs most of the time, but we go deep into those and those are what we call evergreen. I've got that a little bit further down my outline here, not to cut that off. That is what we do. We scan. We got to make sure it's something that sells. If it's ranked a million or 500 thousand, we just put it back on the shelf and move on. If it's ranked 100 or 500 or 1000 on Amazon, that's gold. That's money in the pocket. I mean, there's other factors. See, that number is just a snapshot of a point in time where that is selling well at that time. It might rank 1000 today, but next month it might rank 100 thousand. You just never know. It depends, there's so many factors involved with that.

Robert Plank: It's just your best guess. This is mostly what you and your wife do as far as Amazon. I'm also glad that you mentioned that you're doing this even up in Wisconsin because when we sold our Dropship CEO course and we still sell it, but a lot of people who never even tried the course, they'd come back to me and they'd say, "How is it possible that you can just walk into some store and scan these things and send them in?" My response was, "Well, there's different items in all of these stores."

Amazon does their best to have stuff in their own warehouses and have it evenly distributed across the country, but you go into Walmart or Big Lots or Costco in any city in America, they're all going to have different inventory. Some stuff is going to be on clearance or discount, or some stores are going to have more than others. I'm glad that you brought that up, that you can do this from anywhere in the country because different places in the country are going to have this different inventory to send in.

Tim Jensen: That's right. I know of people that live in Europe that do this and they're all US-based because they'll ship their product overseas to Amazon's warehouses in the United States and they'll just sell in the United States. You can do it literally from anywhere in the world that allows free trade with the United States.

If you think about it, you've brought up a point there with Walmart. They have warehouses and distribution centers all over the country too. We have one within 45 minutes of my house, just down the Interstate in Tomah, Wisconsin, that's a distribution center for about 3 or 4 states for their grocery. They do the same thing. They move the product all over the country to their warehouses so it's easier to ship to their stores. As far as inventory, inventory turnover. You need to turn your inventory over. You need to sell it. I guess I didn't mention turnover in my terms, but basically you need to sell it frequently.

Ideal Turnover: 30 to 90 Days

Ideal turnover, in my opinion, is 30 days. If you can get it from the time that you get ... You purchase it. From the day you purchase it until the time it sells, if that's about 30 days, that's really good, in my opinion. We generally try not to have a turnover period of more than 90 days and this is something you have to watch, obviously. You're always watching your business. Anything over 90 days, and this is really important and this is something that a friend mine, who also sells on Amazon, right here in La Crosse Wisconsin, he says, "Anything over 90 days market it down and dump it." Absolutely dump it.

You may have bought it when it was a good rank and when it was a good markup. Obviously it's not selling. Drop the price and dump it. Dumping it is good. You need to get your money back so you can reinvest it in the good stuff. Losses, I think, in business are good. With losses you are investing in your business education. Education has a cost. You go to university. Well, maybe in the future you'll get it for free, but right now, education has a cost. It is an investment in your learning. There's a story that I heard one time and I know there's a lot of details in going to screw up because I'm not a pilot.

There was the story of this one pilot. He was asking his assistants to prepare his plane for flight and he had a new assistant on the team who put gasoline in the plane rather than jet fuel. Didn't know what he was doing at all. Pilot took off but he had to land because of gasoline being in there rather than jet fuel. The plane was not going to sustain in the long flight and the pilot knew what was going on. There was something funky about it. The pilot, he landed safely. The assistant felt awful when the other guys asked him, "What did you do? The pilot could have died" and it would have been the assistant's fault.

After the pilot landed and he talked to the assistant, the assistant apologized profusely. The pilot looked him in the eye and he says, "Son, I want you to prepare my plane in the next time I fly." He asked him why. He says, "Because you, I know, you will never make that mistake again." That's the whole thing about losses in this kind of business. You won't make that mistake again. Losses are a part of your education. It's a good thing. Dump it if it's over 90 days.

Scanning Process

Robert Plank: You go into these discount stores in places and you scan these items.

Most of the items are not good for mailing in the Amazon, only a handful. You mail them into Amazon and you as the seller, you can set what your price is. For example, you might send in, for example, I don't know, toilet paper or something and you say that, well, the price that you're going to sell it at is 7 dollars. Maybe someone else comes along and they undercut you and they sell all of their stuff for 5 dollars. I guess the pickle that you're saying that a lot of people get caught in is that, first of all, you don't want to price so low that you're just going to be taking a loss all the time.

Then if you price too high, where other people are undercutting you and getting all the sales for this particular item, then first of all, it's going to sit. It's going to be money you can't spend and then eventually Amazon is going to start digging you a little bit for having it sitting in storage for so long. What you're saying is the ideal goal is, you go to these stores, you go and scan them. Peel off bar codes, mail them into Amazon and from the time you buy them at the store until they sell, the ideal length of time is 30 days, but if it gets to 90 days or more, start discounting your stuff even if it's a little bit of a wash because that frees up money to send in more stuff, is what you're saying.

Tim Jensen: Losses are good for that reason. You get some of your money back that you can reinvent, but you learn that, "Okay, well, I made a mistake and I'm not going to go." I bought a book that I personally purchased and I read. It was about the Green Bay Packers.

I thought, "Wow, this is a great deal." It was like 7 and a half bucks. I bought 15 of them in the store and I've sold 2 of them. I still have another 10 sitting in my garage, all ready to ship, and I have 2 that I have not sold at Amazon. Now I'm just trying to dump them because I just want the money back. I thought the book was great. My wife says, "Why did you do that?" I said, "Because it's a good deal. No problem. We'll get it" and it was a flop.

Outsource Tasks You Aren't Good At

The last part about the big picture, thinking about this business of big pictures, outsource your tasks that you're not good at, but you need to learn to perform every aspect of your business. Maybe you do your own research and testing on your products, and you purchase and you do your own accounting, your tag, you're tracking your inventory, you're saving your receipts, you're doing your own taxes. If you have employees, you're doing your own payroll. You're doing your own prepping, packing, shipping to Amazon, putting your bar codes over the bar code that comes with it, the SKU. You bubble-wrap it.

You maybe put it inside of a box that goes inside of another box when you ship it. You drive it over to UPS. You remove all your stickers that you would not want your customer to see. There are some of those tasks that we outsource now. We use a software for our inventory. UPS comes to our house now to pick stuff up because I'm not getting younger and my back is not designed for physical labor. I'm built for comfort, not for speed, is what I like to tell people. If I don't have to lift a heavy box into my van, drive it to UPS, haul it out of my box, bring it into the UPS center, if I can just shove it outside of my garage and they come pick it up, that is so much better and I'm willing to pay for that.

I'm willing to pay for a number of these types of things. Outsource what you're not good at or what you just don't want to do. It's going to make business sense, obviously, because some things, they cost outrageous to outsource, but know how to perform every aspect of your business.

Robert Plank: Along those lines, do you have any sort of set schedule? Do you have your UPS pick up every week or do you go to a store every day? What's the schedule like for you?

Tim Jensen: I work retail for my day job, and so my days off are different every week. My hours will vary somewhat. We did this business to do something together other than watch TV, because everybody can watch TV together. When we do this it is usually at night after I'm done with work for a couple of hours or on my days off, I'll spend 5, 6 hours in my garage prepping and getting ready to ship. A lot of the stuff that we buy is repurchases, so the stuff we sold before and we'll purchase in bulk and we'll have either have it shipped to the house or I will pick it up with my minivan.

Robert Plank: You use the phone scanning as trial and error, and now you have your same ... Like you said, you're seeing 25 or 30 SKUs, so now you don't even have to go hunting for new stuff. You just say, "I'm going to order online or I'm going to go pick up a bunch of ... 100 of whatever I'd normally send in."

Point #2: Be Flexible

Tim Jensen: Kind of. Yes to the last part. Yes, we'll go and I'll order 250 of one particular item at one store in town, but you never stop researching for new products. That's under my second topic, which is your business has got to be flexible. I'll just start with that one since you mentioned it. Never stop searching for a product. When you've got your phone and you're in the store yes, we only have typically about 25 to 30 active SKUs running at one time, but in Christmas time it might be 80 that we're just running full tilt. We have anywhere from 20 to 500 of each item in inventory. We might have 20 of this, but we might ... Right now I went out to Menards and bought 600 of a particular item a couple of weeks ago. We already sold about half of them.

You're always testing new products and that's how we scale our business. We look for things that I call evergreen items. Evergreen means that it sells 12 months out of year. It's not seasonal. It's something that people have been buying for years and decades. Evergreen products, I'll go deep in, meaning I buy a lot, but I might only send in 20 or 25 of a particular SKU to test it to see how it sells. If the test succeeds, we might send in another 25 to 100 and test again. We've gotten burned by doing a small test before and then just going deep when it sold fast the first time because Amazon is in this game too.

Only a third of Amazon sales are from merchants. Amazon sales, 2 thirds of their sales are stuff that they sell directly under their name. When they get into a SKU and we've sent in 100 or 200, uh oh. We screwed up. There's a tool that you can use to see if Amazon has been in it previously and it's a website called camelcamelcamel.com. You can go and research to see if Amazon has been in it. They're the biggest competitor that we have. I generally stay out of anything that Amazon's in, but not always.

Robert Plank: I once noticed paper cups, coffee to-go cups. I sometimes filled two shopping carts with these. I'd buy them for \$2.70 and they'd sell for \$9 dollars. I'd mail them in and sometimes I'd get sales for \$150 bucks because a law firm or a school or someone would order a big bunch of these paper cups. That was good for a while until one day Amazon did exactly what you just said. Amazon got into selling that item directly and I think they were selling them for like 2 dollars. I still made money from that, but it sounds like you've been there too. Suddenly all the inventory, I just got it ... Almost dump it just because Amazon undercut us all by 50 cents, which is huge with the price wars.

Tim Jensen: We bought this dish washing soap. We bought it for 6 dollars and we got a ton of it from our supplier because it sold so well on the test. Then Amazon got back into it, because there was a short window there where they were just sold out. I didn't pay attention to that and all of a sudden, I've got about 1000 bucks in this dish washing soap and now they're selling it for 6.99. We just had to dump it and take the loss. That's part of my education. We don't sell dish washing soap anymore. Another thing is, you might find a winner when you do a test, but then all of a sudden 50 other sellers do too. There's over a million sellers that do merchant fulfill. There's millions of people that do this in the United States and all over the world. All of sudden, when others discover it too, now you've got a lot more competition.

Robert Plank: One time I found Disney-brand "Frozen" night lights and they were super cheap. They were 3 bucks, selling for 15. I bought the store out, but then it turned out that the week that these night

lights came out, the stores were supposed to put them on the rack on Thursday or Friday, but this store put them on Tuesday, so some of us got them early, but by the time we bought them all, mailed them all in, then everyone else had the same the idea and brought the price down.

Test and Track

Tim Jensen: Mail order makes everything more of a level playing field. The evergreen products that we sell, we sell year-round. That's great stuff. The seasonal ones, we might buy in bulk during that season, especially if we know from the past year that they sell. We'll start to buy them a month or so on advance. Then the rest of them, at the end of the season, they'll clear in some, we'll buy as much as we can and then hold it until next year, but there's got to a balance because, as my wife reminds me, we are not a warehouse.

Robert Plank: You do your SKUs that are almost guaranteed sellers and pay the bills, but then it seems like you also want to do a little bit of gambling almost and buy the seasonal stuff for just like, have some fun and trial something new.

Tim Jensen: Any business, it's test and track. You're testing a product and you're tracking its results, and then you'll scale it up if it works and you'll dump it if it doesn't. Like those Packer books.

Robert Plank: Makes sense to me. I know that so far you mentioned a lot of little things that might be kind of scary. There's like, what if Amazon undercuts me? Or there's all these, what about tax, what about payroll? The thing that kept me going also, with all this retail arbitrage stuff, is all of the little obstacles, all of the little things to figure out, those are all of the things that your competitors are also going to have to figure out. It seems like a lot at first, but even just hearing your story and what you've done, you figure it out as you go along. I think that a lot of people that we would be selling against on Amazon, a lot of them have just given up at the first little roadblock.

I think that the attitude it seems like you and I both have is that we're having some fun and any obstacle that comes in our place, our competitors are going to have those obstacles too and they're going to give up and we're going to keep going.

Tim Jensen: That's right. The product that's selling crazy today may not go so well for your next week.

Robert Plank: Right, or who knows how much Amazon is going to change their fees or change their rules, or who knows what?

Tim Jensen: It's Amazon's playground. They do what they want. Your product might be seasonal, but when the other sellers get into it, and you probably experienced this yourself, there's the race to the bottom. Everybody tries to undercut everybody else and they race to the bottom, price-wise. The product you were going to make a 2 dollar profit on, now you're making 25 cents on because everybody dropped their price and they've got 1000 of them or they've got 500 or 10 or 15 or 100. Usually, the inexperienced sellers will race to the bottom.

Experienced sellers know that that doesn't work because you're just throwing your money away. The listing may have 5 sellers today by the time you buy the product. Then by the time you send it in, there's 95 other people that had the same idea you did and they bought at the same day and they sent it in and all of a sudden now you're competing with 100 people. It happens. You got to be flexible.

Robert Plank: Don't put all your eggs in one basket. Send items in as a test, but don't put your life savings into buying 10 thousand units of something. You have a set budget. You're going to put 100 bucks, you're going to put 500 bucks in the inventory. You send it in. You wait till it sells, wait till you get your money back, and then you're spending the 500 bucks that comes back from that for more inventory. You're not getting leveraged in debt. You're being responsible, it sounds like.

The screenshot shows the Amazon Seller Central interface. The top navigation bar includes 'amazon sellercentral', a search icon, and links for 'Messages | Help | Settings'. Below this is a menu with 'INVENTORY', 'PRICING', 'ORDERS', 'ADVERTISING', 'REPORTS', and 'PERFORMANCE'. The 'REPORTS' section is active, showing a 'Sales Dashboard' with a 'Learn more' link and a 'Refresh' button. A filter section allows selection of 'Date' (Month to date - Jun 21, 2016), 'Product category' (All product categories), and 'Fulfillment channel' (Both (Amazon and seller)). Below the filters is a 'Sales snapshot' table:

Total order items	Units ordered	Ordered product sales	Avg. units/order item	Avg. sales/order item
1,462	1,610	\$20,490.76	1.1	\$14.02

Below the snapshot is a 'Compare sales' section with 'Graph view' and 'Table view' options. The 'Table view' shows 'Units ordered' as 150 and 'Ordered product sales' as 2.0K.

Tim Jensen: In this business there's a place for short term borrowing. We're averaging about 1000 dollars a day for the month of June of 2016. On the 20th of June we had 20 thousand in sales so far, to give you an idea. We did do some borrowing to do that, but that was borrowing that was based on our tracking products and knowing what's selling and then buying it and getting it in as fast as possible. There's a place for financing, but there's got to be data that tells you this is a good idea.

Here's a business that can be run almost exclusively at home. We sell some SKUs that can be shipped from our supplier directly to Amazon, so I never touch the product. I don't prep it. The supplier pays the shipping, Amazon will prep these particular products. They don't necessarily do that on everything, but they will prep these products. It costs us about a dollar for them to prep it. If they shipped it to me and then I shipped at Amazon, you can bet it would be more than a dollar per unit for me to do this. The cost there, it outweighs it. By me not touching it, there's no labor I have to do.

Amazon distributes it to their warehouse. They take the orders, the payment. They pull it from their warehouse. They pack it, they ship it and they pay me once every 2 weeks. Our terms with the suppliers are generally 30 days. Typically we won't get all our money back, but that's okay because our past experience has told us that this works. It's a nice deal for us because ... This isn't for everything, just a handful of things, but I don't even have to touch the product. What a deal.

Point #3: Pay Attention to Detail

Tim Jensen: Okay. That's 2 of my 3. My third point, and this is part of the long term. Pay attention to detail in your business because if you don't, it's Amazon sandbox and they'll kick you out and they have no problems. I have seen stories that people who were multi-million dollar per year sellers, they got shut down by Amazon because they didn't follow the rules. It's their sandbox, it's their business and it's their customers. It's not your customers. First thing, make sure that you're using the right listing. You got to make sure that the UPC on the product that you purchased is the UPC on the listing that you're going to put it on.

I made that mistake one time. The description has to match the product. The dimensions, the color, whatever, the size. The second thing, like I said, follow the rules. This is a big one. Read the FBA manual. Seriously, read it. You got to know all the rules. You can just say, "I'll learn this as I go along." You need to know the rules. The rules are not suggestions. Amazon will enforce their rules. Selling on Amazon is a privilege. It's not a right. It's their sandbox. Amazon will notify you if you break their rules. Amazon will remove from a listing if you have too many violations. If you put the wrong UPC on the wrong listing, for instance. Amazon will remove your selling privileges permanently if you violate their rules too often.

When I say permanently, I mean till you die. You will not sell on Amazon if you get removed. We had a product within a month of us getting into Amazon, that I found at a local, I call it a flea market for lack of a better term. It was a pillow. It was one of these Bamboo wonder pillows. I was trying to figure out the supplier and unfortunately I saw one of the sellers open up their box and on the box was the website where they got it from. I went to the website and I thought, "These pillows were selling like hot cakes at the flea market. Everybody was carrying one around, so okay, let's order 60 of them." We ordered 60 queen size Bamboo pillows. We put it under the wrong UPC listing and we shipped it in.

They're sold like crazy just like we thought. Then they got returned like crazy because the brand on the pillow was not the brand on the listing. Then Amazon all of a sudden took us off the listing and said, "We're getting too many complaints because you have" what's the term I'm thinking of? "Counterfeit product listed." That listing got shut down. I also made the mistake of buying king size pillows too. That's a different listing. It's a different SKU. All of a sudden we got our all account suspended. Now, like I said, our account now is much more valuable than it was back then. We're averaging 1000 dollars a day in sales. It doesn't mean we get to keep 1000 dollars, mind you, but holy cow, we were terrified.

This was in November and November is prime season for Christmas. We got suspended for 11 or 12, I think it was 11 days and we had to plead our case. Basically you are guilty until proven innocent. We had to admit guilt and we had to have a plan of action on how we were going to correct it. We will never sell these pillows again. This is what they said, but we also told them yes, "We will never sell these pillows again." The rules are not suggestions. They will enforce them. Like I said, there's over a million sellers. There're probably several million sellers. If something does a test buy because they don't believe that you're selling the right thing, they'll buy and then they'll complain to Amazon and you're shut down.

Plenty of people will attack you because they want to make sales and if you're making too many sales and you're selling a counterfeit product, it's a big deal. It's their playground. Follow the rules. Read the FBA manual. It's that big a deal.

Robert Plank: You have to be at your best behavior at all times, it sounds like.

Tim Jensen: You have to have, I like to use the word integrity and that's originally what I call this, but I realize that pay attention to detail is more important. Obviously you have to be honest in any kind of business deal because not being honest and having integrity might work for a while, but people catch on. People aren't stupid. People have really BS detectors. They're going to figure out whatever it is that you're doing and you're going to get caught. Even Bernard Madoff got caught. You have to have absolute integrity and that's why you have to check your UPCs to make it's the right listing. You have to pay attention to detail.

The last part about this is supply and demand. The nice thing about Amazon, you can charge higher prices for convenience. Maybe you buy, like you referenced, toilet paper. That toilet paper that you might get for 3 dollars at the grocery store or the retail store, you can sell for 14 dollars or 15 dollars. Why is that? Not every city has all the stores and all the product lines. You might not find, I don't know, a Menards or a Shopko, a Kmart in every city. Here's another thing too. Imagine living in a city like New York City. You ride the bus to get to work or the subway or take a cab. You want to go shopping but you don't want to haul too much because you have to take mass transit because nobody drives their car.

I've never been to New York City, so I have no idea if this is true, but I hear it that everybody rides a cab or the bus or the subway. You have to carry your items from where you bought it to, let's say, the subway. Then you have to carry it from the subway to where your house. Then you have to go up to your apartment and you have to haul all this stuff and you have to bring it up to the 10th floor. Why would you do that when you can just have it delivery? Why would you do that? Just have UPS deliver it and there it is.

Robert Plank: Just that alone is worth 10 bucks, having it walk up and then haul it 10 flights of stairs.

Tim Jensen: I've never been to Turlock, so I don't know as far as traffic goes, but when you go shopping, you have to go through traffic, you have to park, you have to go into the store, you have to go through whatever crowd.

Robert Plank: You've got in line at the register, all that stuff.

Tim Jensen: Absolutely. My wife does her Christmas shopping from Amazon computer. A lot of the stuff that she does, she just clicks and it just magically shows up at our door. Imagine the time you're saving, the gas, the wear and tear on your car. What if you live out in the country? Say you live in Utah, out in the country. The nearest Walmart is an hour or 2 hours away. Why drive when you can have it delivered? You have to pay extra, yes, but by the time you have to drive your car, you've already paid that in wear and tear and gas and oil and so forth. You're saving on all that on your feet and you're saving the most precious commodity you have, and that's time.

Everybody has the same 24 hours. It'd be worth it to pay extra, wouldn't it? Why drive in city traffic when you can have it delivered?

Robert Plank: I've had a lot of luck sending in diapers to Amazon. They're always super weird sizes, like a size 3 jumbo, whatever that is. When I would buy it I think it was like 7 dollars and then I'd sell it for like 23 dollars in this pack. I was thinking, "Well, of course it's 23 dollars because it's this really weird size" and like you said, if someone's in Wisconsin or Utah or something, who knows if they're checking 5 or 10 different stores. They can't find, they give up, go on Amazon. There's your supply and demand right there. As we're winding this down a little bit, something that you mentioned there was you and your wife had a little scary period of time where you had to basically make nice with Amazon. One thing that I've noticed, and I'm sure you've noticed, is that as you sell on Amazon you have to build up this amount of history, this amount of feedback.

We've seen you log in a lot and use our [Feedback Patrol](#) tool. You sell your 1000 dollars a day and you solicit feedback from the people who've bought from you. Can you tell us a little bit about that?

Tim Jensen: Once a day, I get home from work in the evening, and I have a number of windows in my Chrome browser and one of them is the Feedback Patrol, I think you call it. All I do is I go in there and I just push the button that asks for feedback and it just does it. Very rarely do I have that come back on me where we have to deal with something, but you know what? Feedback on a bad experience, bad customer experience, is also a good thing because if the customer had a problem, you can fix it. You always have that opportunity to fix it. It's going to cost you money, you're going to make a loss on the sale, but the feedback on the customer to save your business is so much better than having a bad customer experience.

You don't want to have a bad customer experience because if Amazon hears about it and they get into it, they will always, 100% of the time side with the customer, no questions asked.

Robert Plank: There's only one Amazon and Amazon could easily replace you as a seller. There's a million of you.

Tim Jensen: That's right. Think about it. When you sign up for Amazon, what information do you give them? You give them your name. You give them your address. You give them, I believe, your social security number or your federal EIN number, your tax information. They have your IP now. They have your phone number. They have your checking account number. What I say is that they will shut you down forever. You would have to change everything I've just described to you in order to try to fool them and set up a new business. You would have to move. You would have to change your IP. You'd have to change your phone number. You'd have to change your address. You'd have to change your bank. You'd have to change your social security number and good luck with that.

Basically what you'd have to do is you'd have to change all those factors and move and have your spouse do it. Now, we don't just use our computer to use Amazon. I use my phone. My wife uses her phone. I use my tablet. Now you got to change the IP addresses on all of those items as well, and her

phone number and my phone number. They will shut you down and they can do it because they have all the marbles and they have all the information. Don't mess with Amazon.

Robert Plank: Impossible to try to get back under the radar if you really screw up.

Tim Jensen: I only know of one person who did it and there was a mitigating circumstances. I won't go into it because I don't know the situation and I'm not going to try and describe it. I've only heard of one person that ever did it, but even then, they had to do it under a different tax EIN number from somebody else's business that they purchased. They bought somebody else's Amazon business that was dormant so that could then start up because they got shut down and they got the forever notice. "You're done. Thanks for playing. We got some nice parting gifts for you."

Robert Plank: Nice, so you really can't screw up. You're not like the guy filling up the gasoline in the plane. If you screw up, you're done.

Tim Jensen: I would rather lose 1000 dollars of my own money than lose my Amazon account.

Robert Plank: Yeah. That's a lot of future profits right there.

Tim Jensen: I would absolutely pay that to fix whatever problem so that I would get reinstated. If I ever got shut down again, I hope I never do, I'd do everything we can to follow the rules.

Robert Plank: I see the things that you're doing, not too closely, but we see you logged in and using that [Feedback Patrol](#) tool, and we're glad that you're using it. It just seems like Amazon, on one hand, it seems like they're really trying to scale and take over the world and get all of the items shipped to all of the people that want it to be shipped, but then at the same time, they're really making it a point to not lose the human factor. They're making it where all these sellers have to be 99.9% be in good standing and have good customer service and all of this stuff.

It seems like you have to even go a little bit out of your way just to prove yourself to Amazon. It's pretty cool hearing about what you and your wife are doing. I mean, better than just sitting around watching TV and you're trying out different kinds of SKUs and messing around with retail arbitrage. Do you guys have any plans on getting any private label item created?

Tim Jensen: I talk about it and she shuts it down. Actually, I'm not even going to start that conversation. I don't want to discuss it on here.

We'll just leave it at that. At this point, no. With the wholesale, is doing just fine. There's still a lot of scaling that is able to be done. One thing that I would recommend to your people and something that we did shortly after I joined your course is, I went on to Facebook and I joined a whole bunch of Facebook groups. I just was an observer for the longest time and I just learned. I've just learned everything that these people were doing. I found out an awful lot of things. I learned an awful lot of things that you shouldn't do. I've watched people go down in flames. I've seen people who, like 15 days into the month, had a 250 thousand dollars' worth of sales in 14 days. I've seen people who were just

fired up over getting their very first sale and they wanted to tell the world and this group was very, very encouraging.

Another website is reddit.com. They have some Facebook groups. I actually personally don't participate in them, but my buddy who does 10 times the volume that I do who lives in La Crosse, likes to go to the Reddit groups as well. You can't do this alone. You need coaching, you need to get people to help you with any ideas. You're not going to come up with everything by yourself. That's why irresistible offer work with my wife. I find that I work better with another person than I do just trying to figure it out all myself. This guy that does 10 times the volume in town, he does it all by himself, but he's learned from all these other people and he's also learned through experience too.

Robert Plank: All kinds of adventures to be had.

Quick Amazon Recap

As far as the big picture goes and with Amazon, it sounds like it's all about investing in some of that inventory, trying things out and getting that turnover going, so that you send in a little bit and it seems like what's most important is ... Making profit and making money is important, but it seems like the number one thing for you is just that things are selling all the time. That way, even if you have a dud or you even have something where you break even, well, then you have another chance to start over again. It sounds like, from what you've been talking about with the journey that you and your wife have been having, is that you're looking mostly for evergreen items.

Sometimes you look around and try to find some of the seasonal stuff and sit on that for a year before nailing it in. You use this CamelCamelCamel tool to see especially if Amazon is selling this item because if Amazon's selling something then, chances are you're not going to be able to undercut them and make a profit. It sounds like there're some items that are good to send in and some items that are good to send in again, but then it's kind of a minefield out there, right? Some items just, is not a good idea to sell or sometimes you might get hit with some new rules or a category might get closed off or someone might undercut you, but you kind of have to be scientific about it.

It sounds like with you, you've run the numbers where, for example, you say, "I could buy a box of diapers or of this Green Bay Packers book or I'm going to go and get this latest shipment" and what's really cool about when you've run the numbers, as you've said, "Well, if they send me a box of this item and I go and peel the labels off and mail it back out, it might cost me 200 bucks just to do all that or they can mail it in directly and it only costs me 50 bucks." It sounds like it's an interesting way of you basically making these decisions. There's the scientific part where you run the numbers and the artistic part where you say, "What do I feel like doing or what kind of random opportunities fell on my lap?"

Maybe I was shopping around and I found 60 or 600 of these items. I could go in and buy and mail in. It sounds like you've been having a lot of fun with this. If you could put it all into one sentence, what would you tell someone starting out with Amazon FBA to do to avoid some of the mistakes you've come across?

Tim Jensen: There's so many things. First of all, everything I told you is how I do it, how my wife and I do it. It's not necessarily the way to do it. It's how we do it. There's a ton of people that do it a ton of different ways than we do. Learn what works for you and do that. Notice I said learn what works for you. Also, don't be afraid to fail because failure is part of your education. You fail to learn or how to learn to fail.

Robert Plank: Don't be afraid to fail.

Tim Jensen: I just made that up. I'm pretty proud of myself. I just want to say.

Robert Plank: I think you should get some t-shirts made and maybe send them in to Amazon and see if you can send a bunch of copies.

Tim Jensen: Now you're talking private label again.

Robert Plank: Darn it.

Tim Jensen: If I were to tell you one thing to do just off the top of my head it would just be study and learn and test. Test, test, test because you got to find out what works and what doesn't for you. This works for us out of one garage, out of our one store garage and out of our living room, but what works for us doesn't work for other people. We do this as something together. There's a lot of people that maybe don't do these kind of numbers, just the two of them, but there's a lot of people that'll do better numbers than us. There're people that hire employees. Just do what works for you, but you got to start and you got to do it and you got to get the big picture. Do it with the big picture in mind and don't think you're just going to do it for a month or 2.

Robert Plank: Go all on and actually treat it like a business, even a part time one.

Tim Jensen: It's a business. Can you imagine getting a part time job for 20 hours a week and you maybe make ... I don't know what you make. I'll just throw a number out there, a 1000 bucks a month. This way, we can do on our own timing, when we want and we do it together and we're not on somebody else's schedule. We kind of are because we have our day jobs, but you know what I mean.

Robert Plank: The time that's not at that day job, you can decide to put in an hour or 10 hours or have the freedom to take whatever action you want. Buy more inventory, research new stuff, mail stuff in. Your time is your own.

Tim Jensen: Yesterday I spent 6 hours in my garage in the 80 degree weather, boxing up stuff that it's sitting in front of my garage door right now waiting for UPS to pick it up. It was like 19 boxes, dimensions are 18 by 18 by 24. 19 of those boxes, all full of stuff, that we had bought and I spent 6 hours prepping it yesterday.

Robert Plank: The place where we want everyone to go and the place where Tim uses that [Feedback Patrol](#) tool and the place where Tim got started with Amazon is [Dropship CEO](#). We want you all to go there, [dropshipceo.com](#). Thanks everyone for listening to the [Robert Plank Show](#). Give us a second and give us a 5 star rating at iTunes at [robertplank.com/itunes](#), and thanks for tuning in.