

Drop Shipping

Have you ever seen an advertisement promising you can make a lot of money working from home?

What is drop shipping?

Drop shipping is an online retail business model where a business sells products that it doesn't own or hold in stock. Instead, the business takes orders from a customer and arranges for a supplier or manufacturer to ship the product to the customer directly. Drop shipping doesn't require a physical store and businesses often set up websites quickly and cheaply to advertise the products. Drop shippers can be found on websites like Shopify, eBay, and social media websites such as Instagram or Facebook. Drop shipping businesses market the products and accept orders, but have limited control over storages, shipping, and product quality.

Is drop shipping legal?

Drop shipping is not illegal in Australia. However, drop shipping businesses must comply with legislation, and online businesses have the same legal responsibilities as physical stores. All businesses selling products to consumers in Australia need to comply with the Australian Consumer Law. This law provides basic rights to consumers called consumer guarantees. When consumer guarantees are breached, consumers can be entitled to a repair, replacement or refund. Businesses can't take away these rights. For example, it is illegal for businesses to try deny these rights with policies which say "no refunds" or "no refunds on sale items". Products must also comply with Australian safety standards.

For buyers:

- Beware of sellers who mislead customers about where products are coming from. The drop shipping business may hide or disguise the manufacturer, country of origin, and wholesale price.
- Research the product and seller before you make a purchase. See who else is selling the same product, and compare prices.
- Beware of counterfeit products and low-quality imitations.
- Drop shipping businesses do not have much control over product quality, supply times, and returns. Issues can be difficult to resolve.

For sellers:

- Drop shipping is increasingly promoted as a get rich quick scheme, promising individuals they will make a lot of money working from home.
- People interested in drop shipping may be invited to pay for expensive seminars promising to teach them how to run a drop shipping business. However, competition is high and profit margins are low. Many drop shippers do not make profits.
- A common issue is that customers realise they have overpaid for a product and return it, then order it directly from the manufacturer.
- Drop shipping businesses may be responsible for any illegal actions of the manufacturers and suppliers.