

# Best Practices in Managing Returns and Excess Inventory

Liquidation.com  
Washington, DC  
[www.liquidation.com](http://www.liquidation.com)

# Executive Summary

Let's face it: Every company needs to deal with surplus assets, whether it is excess inventory, end of lifecycle equipment or customer returns.

The key question for companies is how to cost-effectively dispose of surplus while maximizing returns. Surplus assets take up space, tie up capital, and negatively affect your company's bottom line. So what choices does a company have to deal with this issue? Traditional surplus disposition options all have advantages and disadvantages. But they have one thing in common: They demand management time and significant resource commitments to be executed successfully. Thus, they can cause your company headaches and provide distractions from your core business. Furthermore, most of these solutions are not designed to handle the complexity of ongoing asset disposition needs of most large companies and public sector agencies.

**Liquidation.com is transforming the way businesses dispose of their surplus assets by delivering increased returns and significant cost savings, reducing traditional transactional risks, and removing the management burden from your organization.**

Liquidation.com's full-service asset recovery solution is not just a new method of disposing of surplus assets. It's a whole new way of thinking about the surplus problem. Rather than viewing surplus liquidation as a time-consuming, low-return, and hassle-filled endeavor, companies can now maximize returns, decrease time to cash, and eliminate organizational distraction. Liquidation.com combines advanced technology with the unparalleled liquidity represented by a global network of bulk surplus buyers. Effectively managing the sale of surplus assets takes professional sales planning, intelligent merchandising, and effective marketing, all part of Liquidation.com's solution.

Another component of Liquidation.com's solution is a bulk online auction-based marketplace. Other online auction alternatives cannot compare with Liquidation.com's comprehensive suite of services nor can they provide a sufficient number of professional buyers to ensure the best price for your assets.

Liquidation.com understands that merely bringing buyers and sellers together to agree on a price is not enough. A marketplace solution that does not integrate sales, marketing, merchandising, fulfillment, payment collection, dispute mediation and logistics into its suite of services leaves its customers stranded with tasks that take time and money. As the only truly full-service surplus solution, Liquidation.com can manage complex, large-scale inventory liquidation programs. Only Liquidation.com can provide a long-term solution that requires minimal investment, achieves high returns, and minimizes the opportunity cost of tying up your organization dealing with surplus liquidation.

Figure 1: Cost vs. Return for Various Surplus Solutions

	<b>Cost of Usage</b>	<b>Recovery Returns</b>	<b>Opportunity Cost</b>
<b>Liquidation.com</b>	Low	High	Low
<b>Traditional Auctioneers</b>	High	Low	High
<b>B2C Solutions</b>	High	High	High
<b>Liquidators</b>	Low	Low	High
<b>Internal Liquidation</b>	High	Medium	Highest

# Business Surplus: A Universal Challenge

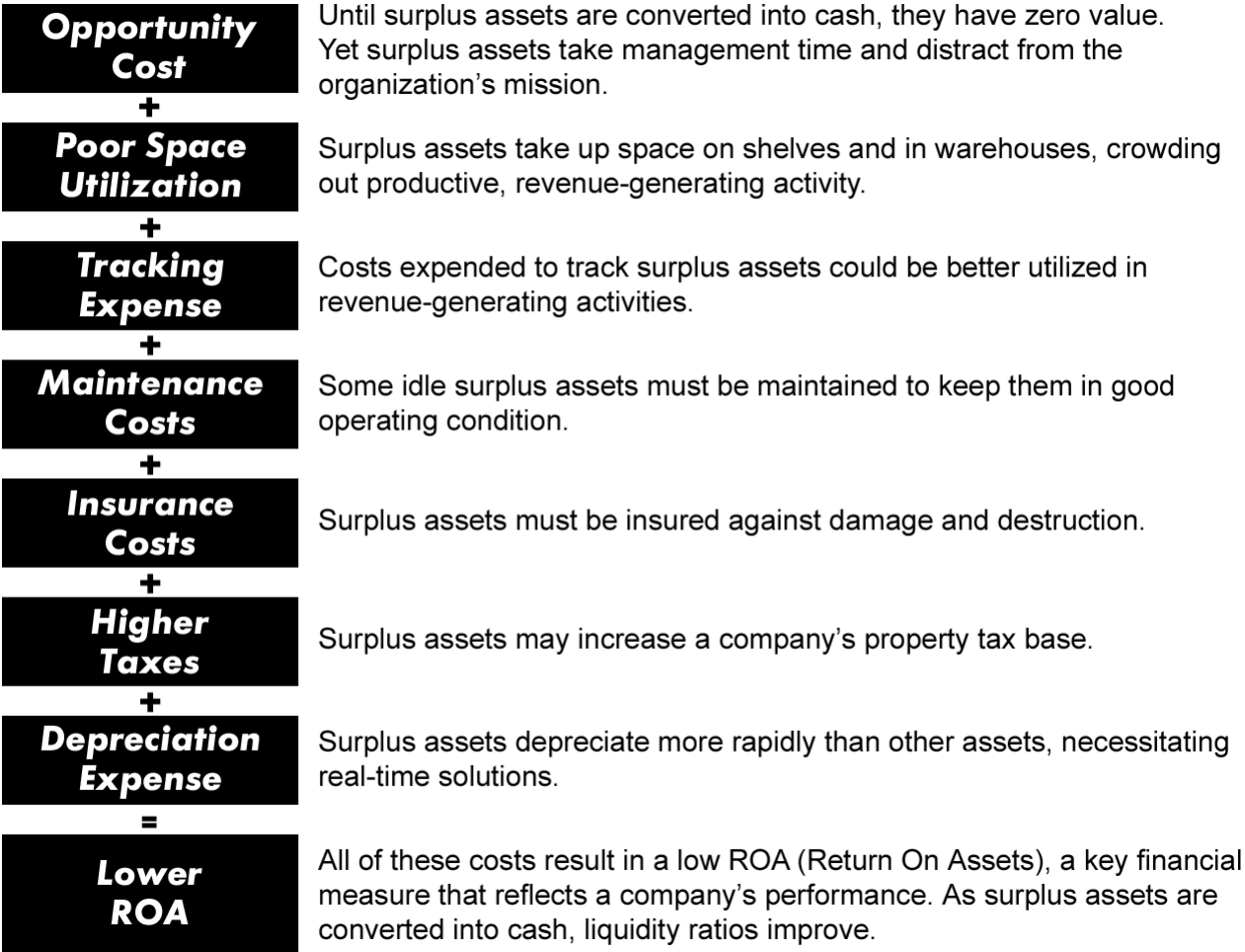
The management and disposition of business surplus is a universal and expensive problem. Business surplus includes both **excess inventory** such as overstocks, customer returns, and discontinued items and **surplus operating assets** such as idle technology hardware, plant equipment, and capital assets. The annual volume of business surplus in the U.S. economy is significant, with surplus being created by all participants in the supply chain: manufacturers, distributors and retailers. Consider these facts:

- Customer returns represent 4% of retailers' total revenues or \$100 billion per year
- Federal government agencies dispose of \$8 billion of surplus assets per year

Since managing business surplus is not a core competency of any traditional organization, companies currently dispose of excess inventory and surplus assets inefficiently. As a result, companies and their stakeholders suffer from:

- Low returns on surplus disposal activities
- High disposal costs – costs for warehousing, managing, and shipping
- High opportunity costs – inefficiently allocating internal resources to manage the administrative burdens of this non-core function

Figure 2: The True Costs of Surplus



## The Unique Needs of the Business Customer

Large organizations suffer disproportionately from the costs of managing business surplus because of the complexity of their organizational structure, supply chain and customer base. Consequently, business clients contend with many critical issues involving surplus disposal, including:

- Handling Large and Fluctuating Volumes of Product
- Sale of Multiple Product Categories and Condition Types
- Timing and Space Constraints
- Channel and Brand Conflict Issues
- Multiple Points of Contact
- Multiple and Nationwide Location of Surplus Assets
- Centralized Financial Tracking and Reporting Needs
- Regulatory Compliance Needs

Organizations typically do not dedicate significant focus or resources in marketing, technology, or staff to appropriately manage the multitude of complex issues related to business surplus.

**It's time for large, complex organizations in both the commercial and public sector market to use technologies and service models that offer a new approach to solving the universal challenge posed by business surplus.**

## Comparing Approaches to Asset Disposition

Large organizations have typically relied on a combination of external methods such as liquidators, auctioneers or B2C auctions and internal methods for their surplus solution. However, these methods fail to completely address businesses' needs for effective surplus disposition, and each poses unique problems for the seller.

Using **traditional liquidators** rarely represents significant liquidity to achieve the best possible price. A company may deal with two or three liquidators who bid within a narrow range, sometimes averaging only 3 to 5 cents on the dollar. In addition, most liquidation houses won't take small lots, resulting in additional warehousing and handling costs.

**Traditional auction houses** are also unappealing because of the focus on one-time sales of surplus rather than providing a full service ongoing solution to companies' surplus needs. Traditional auctioneers emphasize physical events that bring together a limited number of buyers in one place to bid at a specific time. Additionally, the associated logistics costs, sales commissions and long lead-times can significantly affect total return on assets.

Using **online auctions whose primary audience is consumers**, while seeming to promise higher per-item selling prices, actually provides lower returns after all the costs are taken into account. These costs include longer time to cash; customer management activities including handling returns and customer queries; logistics hassles involved in picking, packing, and shipping goods and the opportunity cost of the distraction from the company's main focus.

A common way businesses try to solve the surplus problem themselves is to use internal liquidation methods such as **discounting to existing customers** which can be counterproductive, since it fosters a bargain-hunter mentality in the channel.

Using **retail outlet stores** is another popular internal method which can be somewhat effective for companies that already operate retail stores, but generally requires the company to develop non-core business capabilities, incurring the attendant costs and diverting resources from the company's mission.

Figure 3: Comparing Surplus Solutions

	<b>Description</b>	<b>Problems</b>
<b>Traditional Liquidator</b>	Negotiated sale to one or more liquidators for cash	<ul style="list-style-type: none"> <li>· Misalignment of incentives and low returns</li> <li>· Limited competition</li> <li>· Cherry picking of assets</li> <li>· Large lot sizes</li> <li>· Manual, time consuming process</li> </ul>
<b>Traditional Auctioneer</b>	Live, on-site physical auction of assets	<ul style="list-style-type: none"> <li>· One-time in nature</li> <li>· Long lead times and high costs</li> <li>· Local buyer base</li> <li>· Limited to higher value capital assets</li> </ul>
<b>B2C Auctions</b>	Sale of individual items to end consumers using retail e-marketplace	<ul style="list-style-type: none"> <li>· Difficulty moving large quantities</li> <li>· Limited to higher value items</li> <li>· Longer sales cycle and time to cash</li> <li>· Customer service and collections requirements</li> <li>· Pick, pack and ship requirements</li> </ul>
<b>Internal Liquidation</b>	Sale of individual items to end consumers through retail storefronts, discounting to existing customers	<ul style="list-style-type: none"> <li>· Potential cannibalization/channel conflict</li> <li>· Limited to like-new or near-new items</li> <li>· Longer sales cycle and time to cash</li> <li>· Customer service, returns, and collections requirements</li> <li>· High staffing requirements</li> </ul>

These traditional surplus liquidation methods fail to address the unique business surplus needs of large, complex organizations, giving rise instead to problems such as:

- Insufficient liquidity for the sale of large quantities of assets
- Inability to handle multiple products and condition types of assets
- No integration of warehousing and customer fulfillment services
- Brand and distribution channel conflicts
- Lack of centralized management and reporting for multiple divisions and locations
- Limited support for regulatory compliance and reporting

# The Complete Solution for Business Surplus

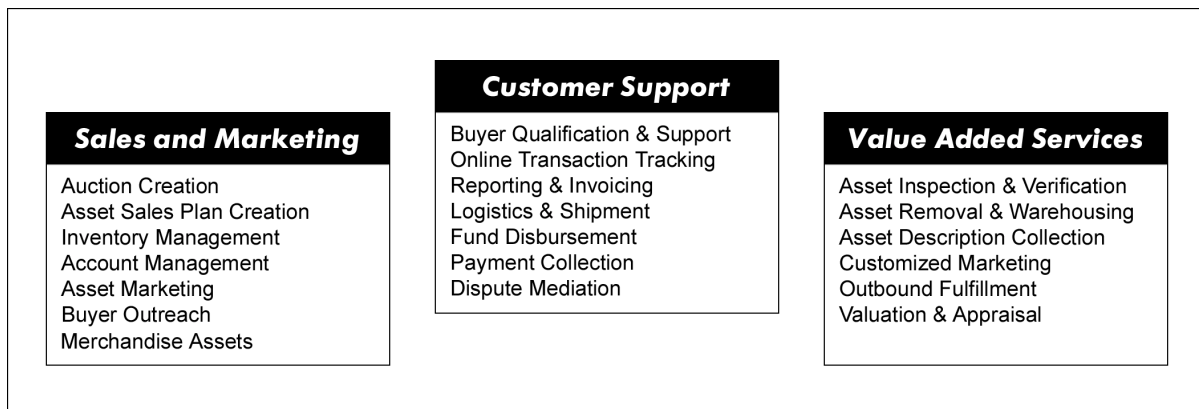
Liquidation.com has been serving surplus customers since 1999. It has extensive expertise in the surplus liquidation business while achieving results, including:

- Network of 144,000 qualified buyers with 5,000 new buyers added each month
- 90% successful transaction rate
- Returns 25% to 200% higher than traditional liquidation methods

Savvy businesses can use Liquidation.com's complete turnkey solution to slash waste and dramatically improve recovery rates for surplus inventory. In addition, for businesses with specialized needs, Liquidation.com can tailor custom services and/or marketplaces to meet clients' exacting specifications.

Because of Liquidation.com's extensive asset disposition experience and focus, it can provide clients unique insights and sound strategic advice on surplus asset liquidation. By focusing on customer needs, Liquidation.com develops a portfolio of services, e-marketplace solutions and supporting technologies to deliver an *all-inclusive solution* to maximize the net proceeds in the sale of business surplus. Hundreds of clients, including Fortune 500 companies, large federal agencies, and state agencies, have used Liquidation.com's innovative sales programs on a significant scale to achieve superior value.

Figure 4: Liquidation.com Comprehensive Services



Liquidation.com can completely remove the burden of storing, preparing, merchandising, tracking, arranging payment and logistics, and reporting on surplus asset sales.

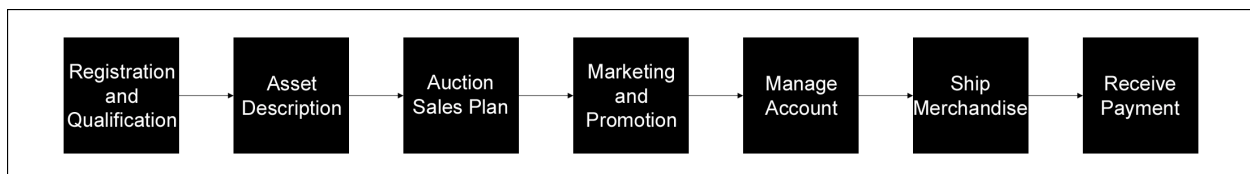
Where other asset liquidation methods offer only incomplete solutions, Liquidation.com becomes a strategic extension of your organization that provides everything you need to efficiently dispose of business surplus, regardless of quantity, type, condition or locations, including:

- **Sales and Marketing** – Rather than requiring you to use your own resources, Liquidation.com assigns a dedicated sales and merchandising team that:
  - Develops an effective asset sales plan which includes an auction plan
  - Optimizes sales for maximum return by determining the most effective lot size, offering mix, and market timing
  - Professionally manages the inventory, including item descriptions and photos, packaging type, shipping weights and dimensions, and tracks the availability of competitive product and other marketplace conditions
  - Facilitates the execution of the marketing plan to provide appropriate exposure of your assets
  - Executes the asset sales plan, including fielding buyer questions

- **Customer Support** – Liquidation.com handles all aspects of customer support, including:
  - Qualifying buyers and handling invoicing, payment collection, dispute mediation, and fund disbursement.
  - Providing online transaction tracking for buyers and sellers
  - Taking control of logistics and shipping, ensuring that only approved transport agents handle goods and dealing with any logistical issues effectively and efficiently. Liquidation.com handles outbound logistics utilizing everything from UPS for small lot shipping, to less than truckload (LTL) or truckload shipping domestically or internationally. We also can handle any customs processing, duties, or other international logistics issues.
  - Handling reporting, including any required regulatory reporting. As a result, you'll always know in real time exactly what has sold and where your items stand in the sales and payment cycle.
  
- **Value Added Services** – At your option, Liquidation.com can take total control of your asset problem using these optional services:
  - Removing and warehousing your surplus items, freeing resources for revenue producing uses
  - Designing a custom marketing plan to acquire buyers for assets outside our core buyer audience
  - Assisting in merchandising your assets by breaking up pallets to mix and match new lots that better meet buyers' needs
  - Providing comprehensive centralized reporting tools for large organizations to track their activity across multiple divisions, product lines and locations

The process of using Liquidation.com is simple. The seller signs up, provides asset information at the beginning of the process and receives cash proceeds at the end. Liquidation.com manages the entire process in between, from creating the asset sales plan, to auction activation, marketing, managing issues with buyers such as payment collection and facilitating the shipment of goods.

*Figure 5: Process Flow*



## Why Liquidation.com?

Liquidation.com has in-depth expertise in merchandising and remarketing surplus assets in a wide range of industry sectors and more than 600 commodity categories, including:

- Apparel & Textile-Related Products
- Aircraft & Aerospace Parts & Equipment
- Computer & Technology Equipment
- Construction & Building Equipment
- Consumer Merchandise
- Consumer Electronics
- Electronics & Communications Equipment
- Medical & Test Equipment
- Industrial Machinery & Equipment
- Office Supplies & Equipment
- Transportation Vehicles & Equipment

Liquidation.com's services offer surplus sellers the following benefits:

- **Aligned Incentives** – Liquidation.com's services are success based, which means you don't pay us a thing until the asset is sold. This is a key attribute to look for in an asset liquidation partner because it ensures that seller and partner incentives are aligned to achieve a successful result.
- **Liquidity** – With a specialized network of more than 120,000 qualified bulk surplus buyers representing \$1.8 billion in aggregate surplus purchasing power, you can be confident your assets will be exposed to the world's most liquid bulk surplus marketplace. That translates into quicker cash conversion at higher prices than other liquidation alternatives.
- **One Stop Solution** – We can help clients sell almost any type of surplus, regardless of quantity, type or condition. Instead of dealing with different liquidators and time-consuming end customers, clients can use Liquidation.com as a one-stop solution for asset liquidation.
- **Market Transparency** – You have direct insight into every aspect of your asset sales program while maintaining your anonymity.
- **Regulatory Compliance** – Liquidation.com understands the regulatory restrictions that may accompany the sale of assets. Liquidation.com has the experience and processes in place to manage all unique conditions of sale and related documentation.
- **Hassle Free** – No longer are dedicate personnel required for the non-core task of disposing of business surplus. Liquidation.com manages the whole process.
- **Limited Channel Conflicts** – Liquidation.com preserves your anonymity and avoids the diminution of your brand and channels by selling to a professional secondary market channel
- **Increased Return on Assets** – Liquidation.com markets and auctions your surplus to a broad, competitive online buyer base. Thus, you can expect returns as much as 25% to 200% higher than traditional liquidation.
- **Faster Time to Cash** – We can remove non-performing inventory and idle assets from your books and get them converted to cash as quickly as possible. Because Liquidation.com will handle any condition and quantity of assets, you don't end up warehousing inventory that does not meet a liquidator's minimum size or condition type. You also don't need to wait through endless sales cycles of B2C-oriented retail online auctions. Liquidation.com's merchandising and lot management services, combined with the unparalleled liquidity of our marketplace, enable you to achieve a higher net recovery.

Liquidation.com's turnkey solution can be delivered to clients in a matter of days. If, however, you have specialized needs, we can craft a customized solution to meet specific needs.

## Case Studies

See how a variety of Liquidation.com clients are using our solution. We've solved a range of surplus asset problems, from merchandising and lot segmentation to low recovery rates and disorganized asset disposition.

### Fortune 100 Drugstore Chain

#### **Seller Need**

A leading \$15 billion 3,600 store US drugstore chain wanted a business-to-business surplus solution for selling excess inventory on a recurring basis. The Fortune 100 Company had to contend with manual sales activities, inaccurate inventory counts, quality control issues, and arranging pick-up and delivery schedules with buyers. Since the client had scarce resources to dedicate to the problem, these issues became more challenging.

#### **Our Solution**

Liquidation.com developed a robust, fully scalable national program to dispose of the client's surplus inventory. Excess inventory in any one of the client's seven distribution centers is shipped to one of Liquidation.com's regional warehouse liquidation centers, where it is received, reconciled and prepared for online auction within days of arrival. The client is now able to focus on its core business and leverage Liquidation.com as the single point of contact to manage all of its asset recovery needs.

#### **Results**

- Liquidation.com has sold more than 500,000 individual items, representing approximately \$7 million in original retail value and involving more than 500 bulk transactions
- Liquidation.com is now an ongoing partner with the client, successfully managing the large-scale logistics processes required to aggregate and liquidate surplus property from multiple client locations
- Liquidation.com has also demonstrated its ongoing ability to lot, market and sell large volumes of property in multiple locations to maximize the recovery value of surplus assets in amazingly short timeframes

### Consumer Electronics Retailer

#### **Seller Need**

A large, well-known online seller of computers and electronic products needed pre-sale merchandising and lot segmentation services for its surplus goods division. The company sought higher returns by outsourcing a non-core function to Liquidation.com.

#### **Our Solution**

Liquidation.com delivered a turnkey sales solution and consistently reviews seller's overall inventory, making lot segmentation recommendations based upon quantity, category or quality. By intelligently breaking up big lots, Liquidation.com makes the surplus more attractive to a wider audience, ensuring better return.

#### **Results**

- The seller achieved total gross sales of more than \$1 million, encompassing tens of thousands of items
- All lots typically sell within 2-4 days of initial postings
- Liquidation.com handles all collection, fulfillment, shipping and customer service needs for the seller, dealing with more than 100 professional buyers

## **Federal Technology Distributor**

### **Seller Need**

Low recovery rates, a slow-moving volume of older technology products, and an intermittently overstocked single SKU continually plagued a leading provider of technology products to the US Government.

### **Our Solution**

Starting with the hardest products to sell, Liquidation.com gradually built a sales plan and product testing strategy for the seller that significantly boosted recovery rates and have made Liquidation.com the primary source for overstock/surplus disposition.

### **Results**

- Liquidation.com has completed 39 transactions for the seller, selling \$2.7 million worth of goods
- Recovery rates of 35-40% of acquisition value for any "like new" products
- Ongoing exclusive use of Liquidation.com for difficult asset recovery requirements

## **State of Wisconsin**

### **Seller Need**

With no centralized online means of disposing of used state assets — along with a need to improve overall returns on tough-to-sell, aging products of all kinds — the State of Wisconsin turned to Liquidation.com for assistance.

### **Our Solution**

Liquidation.com developed a Web-based platform that allowed Wisconsin's main surplus liquidation agency to monitor the status of assets being sold by more than 70 state agencies involved in asset disposition. Liquidation.com has developed a turnkey sales process for the client and handles all customer services, collections and logistics needs.

### **Results**

- Liquidation.com has sold more than \$1.5 million worth of goods for the seller
- More than 40 successful transactions completed across virtually every product category
- New, centralized system better accounts for nearly all state surplus sale proceeds

## **Returns Management Company**

### **Seller Need**

Serving some of the largest retailers in the United States, this leading company in full-product lifecycle and reverse logistics management was experiencing low recovery rates within certain product categories where large volumes remained unsold.

### **Our Solution**

Liquidation.com segmented the seller's large inventories of products into smaller lots, and then created a pilot program to gauge and improve recovery rates by marketing heavily to Liquidation.com's extensive buyer community.

### **Results**

- Liquidation.com has completed 32 transactions in key product areas for the seller, selling \$1.7 million worth of goods
- Pilot program is either meeting or coming within 5% of single-unit PPU accelerated recovery timeframes
- Client is working to expand partnership with Liquidation.com in other product categories

## The Bottom Line

Liquidation.com provides the optimal solution for managing the disposal of surplus assets quickly, easily, and without headaches. We provide corporate clients and public sector agencies with a solution that brings liquidity, total transparency, channel control, efficiency, and effective execution to the surplus disposition process.

Using our integrated full-service solution, we can manage complex, large-scale inventory liquidation while delivering significant cost savings to clients. Our proven solution has enabled our customers to rapidly convert surplus assets into cash, with returns as much as 25% to 200% higher than traditional liquidation.

We recognize that each customer's surplus assets present a unique problem to solve. Some clients want quick time to cash. Others want to maximize return. Still others may be most concerned about avoiding channel conflict. Liquidation.com uses targeted marketing and multiple sales options to tailor a solution that is best suited to your situation. No matter what your goal is, our integrated full service solution reduces the risk and uncertainty involved in surplus transactions and ensures that both buyers and sellers complete their transactions satisfactorily.

## About Liquidation.com and Liquidity Services, Inc.

Liquidation.com, a division of Liquidity Services, Inc., provides large, complex organizations with comprehensive, innovative, customer-focused solutions to convert surplus property into cash. Headquartered in Washington D.C., the company serves Fortune 500 companies, large federal agencies, and state agencies. Liquidation.com employees are experts in surplus asset liquidation, with extensive backgrounds in asset management, logistics services, wholesale merchandising, asset remarketing, sales, and customer support.

Liquidity Services, Inc, also serves as the exclusive surplus partner of the U.S. Department of Defense through its subsidiary, Government Liquidation LLC ([www.govliquidation.com](http://www.govliquidation.com)), and as the primary surplus sales partner for the sale of surplus aircraft, ship and armored vehicle parts for the United Kingdom's Ministry of Defense through its subsidiary, UK Surplus ([www.uksurplus.com](http://www.uksurplus.com)). Liquidity Services, Inc. employs 245 people and is headquartered in Washington D.C with corporate offices in Scottsdale, AZ, Munich, Munich, Germany and Taunton, England. **If you are interested in learning how we can help sell your business surplus, please send email to [sales@liquidation.com](mailto:sales@liquidation.com) or call (800) 310-4604, extension 507.**