

REVERSE LOGISTICS magazine®

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Sellers See Green in Booming Refurbished Products Market

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By Jeff Rechtzigel, VP and General Manager, Retail at Liquidity Services – RLA Gold Member

ARTICLE



Main Offices at Bethesda, MD

Many manufacturers and retailers view refurbished or reconditioned products as having potential to cannibalize sales of new condition products. Recent research shows there is real value in applying strategic planning to secondary market recovery; mitigating losses while not disrupting or negatively impacting "A" goods sales.

WHERE THE MARKET STANDS AND WHERE IT IS GOING

The refurbished market for consumer electronics is estimated to be approximately \$10 billion and rapidly growing. That's bigger than many businesses may realize – and it shows no sign of slowing down. Retailers and manufacturers are under increasing pressure as returns volumes increase related to growth in e-commerce, flexible return policies, and increased focus on sustainability metrics.

When organizations think of refurbished consumer electronics, they might imagine laptops that do not operate at their optimum capacity or bear significant cosmetic damage. The reality is much different – and consumers are starting to realize that fact more and more. Many refurbished products are restored to full manufacturer conditions or are no fault found (NFF) returns reconditioned and reboxed. This value adding process enables consumers to upgrade their brand purchased for a similar price as a lesser quality brand,

all while lowering the customer acquisition cost of the manufacturer.

An example specific to smartphones shows that Deloitte Global predicts that at least 10 percent of premium smartphones (\$500 or higher) purchased new in 2016 will end up having three or more owners before being retired and will still be used actively in 2020 or beyond. Deloitte goes on to estimate that the refurbished smartphone market was roughly \$19 billion by the end of 2017 and International Data Corporation (IDC) expects that to grow 10 percent annually by 2022.



Dan O'Neill, VP of Client Solutions for Liquidity Services, collaborates with the team in Bethesda, MD

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Returns Management

Our Technology is the New Standard

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Trust our no-compromise, certified centers

Count on our commitment to excellence in our state-of-the-art centers across North America

Case Study

Complete Returns Management for Leading Consumer Brand

More than 400K returned goods processed and sold

Over \$60 million original MSRP value of items sold

10,500 units sold in 1 hour

By efficiently managing our client's returns process, we transform returns into a streamlined profit center while reducing resources needed for reverse supply chain activities.

As a result, many premier consumer brands are entering the refurbished & reconditioned market, upgrading “B” condition products to offer “A” stock quality complete with all accessories and in many case warranties. These brands expand share and gain loyalties with consumers who previously couldn’t access the brand on the primary market. The reverse supply chain personnel in these organizations are getting a voice in the upstream decision making knowing what the economic impact is on a returned product – any dollars gained go straight to the bottom line.

BEST PRACTICES FOR SELLING REFRUBISHED PRODUCTS

The refurbished market is rife with opportunity for product manufacturers and retailers to access a growing group of consumers that seek refurbished products. Aligning with best practices will ensure the greatest potential for leveraging this growing market of consumers. The following strategies provide guidance on considerations when designing a secondary-market strategy for refurbished products.

BE ONLINE

The majority of consumers who buy refurbished do so online. A Liquidity Services survey found that consumers are 82% are more likely to purchase online than in-store. This parallels with the increased growth in e-commerce sales across the retail sector. The U.S. Commerce Department reports that e-commerce represented

approximately 52% of all retail sales growth in 2018 and accounted for 14% of total retail sales that year. This is the largest share of growth for purchases made online since 2008.

Given this growth, it’s critical to have a compelling online experience that’s optimized to bring in high volumes of the right consumers looking for refurbished goods. Setting up separate online channels, branded or white label, to engage with consumers can be a tremendous investment of time and resources. Working in partnership with a vendor that has established online channels and that understands secondary markets will provide the greatest recovery and velocity for refurbished products.

EMPHASIZE THE DEAL FACTOR

Refurbished products can provide the capabilities a consumer is looking for at a discount far below current prices for the latest technology. On a lower priced item, the percent discount will often be accentuated and not the saved dollars and vice versa for expensive units. For example, a \$2,000 laptop at 20% off is a \$400 savings and a \$50 pair of earbuds at 40% off is \$20.

This speaks to a much larger, emerging portrait of the online consumer – financially savvy, eager to try out new products and brands without investing in the brand-new product and focused on meeting both their budgetary requirements and their technology needs.



The team in our Plainfield, Indiana warehouse location.



Electronics refurbishment center in Garland, Texas.

CONGRATULATE THEM ON BEING GREEN

Today, many consumers are concerned with sustainability and want to be environmentally responsible. According to Forbes, the amount of global e-waste is projected to grow to approximately 50 million tons by the end of 2018. In a study by Global Web Index, half of digital consumers say environmental concerns impact their purchasing decisions. Millennials are considered to be the primary drivers of the sustainability movement with their lifestyle and behavioral changes. Additionally, millennials are reported by USA Today to be making 54% of their purchases online. While consumers are price-conscious, they are also clearly concerned with the way their buying behavior impacts the planet. More importantly, many consumers understand there is a connection between buying refurbished products and being sustainable. Companies who understand that consumers are motivated to be green and emphasize this quality of refurbished product in an honest and transparent way will benefit from increased brand loyalty and positive word-of-mouth.

BUILD TRUST THROUGH ACCURATE DETAILS AND WARRANTIES

The more information you can provide to help a consumer make a decision they feel is informed, the better. In fact, consumers feel that accurate information on product condition is a top consideration, second only to price. This information includes relevant product features, whether accessories are included (or not included) with the purchase, and product photos for consumers to gain a fuller picture of the item they are considering for purchase. Conveying, and subsequently meeting buyer expectations will minimize returns and associated costs to the seller.

Refurbished products are available in various condition grades and providing accurate information on the

product condition will result in more satisfied customers. Confidence in the product being sold is also a relevant factor. When buying refurbished, warranty information is key, demonstrating the seller is willing to back the quality of its refurbished products for a given amount of time. Partnering with a company who provides dedicated customer service, proactive provision of product information upon order, and troubleshooting walkthrough to prevent returns will drive higher net recovery on these products.

MUST-HAVES FOR PARTNERS SELLING YOUR REFURBISHED PRODUCTS

While leveraging the growing trends that support the refurbishment and resale of consumer electronics products is important, this is rarely a key center of excellence for most retailers and manufacturers. As such, it is important to know how to find and how to work with a third-party returns management solution provider that does specialize in testing, repairing, and refurbishment. Today, IBISWorld estimates that the Product Returns Management Services industry in the U.S. is approximately \$7.8 billion of which 20% is dedicated to test and repair. With many companies providing some form of reverse logistics service, it is important to focus on a few key factors when selecting a vendor.

DO THEY UNDERSTAND AND CATER TO YOUR UNIQUE NEEDS?

One size does not fit all when it comes to managing refurbished products to sell in secondary markets. A vendor with a consultative approach will seek to understand your specific requirements and goals, address your concerns, and set the appropriate strategy. Your company and product are unique, and you should have a uniquely tailored solution in the reverse supply chain.



product details in listings, high-quality customer service, and reliable fulfillment operations will deliver an effortless and enjoyable experience for buyers, leading to better impressions for your brand.

ARE THEY DATA-DRIVEN?

The product lifecycle does not end after the purchase. The ability for customers to return products in an easy manner and for secondary-market consumers to gain access to quality, refurbished product plays a critical role in the product lifecycle. Great vendor partners apply data and analytics to illuminate the secondary market, knowing when and where to sell your refurbished product – and how much it's worth.

HOW CLOSE ARE THEY TO POTENTIAL BUYERS?

Hunting for secondary-market buyers takes time and energy that is better dedicated to core business functional areas, such as customer service and delivering new and improved product to market. A trusted partner possesses established marketplaces and a significant number of buyers in target geographies who already have deep trust for their secondary-market goods. They also know how to effectively market product to prospects and nurture existing buyer relationships to maximize demand for your product. A service provider is essentially a team of people developing your reverse supply chain for a fraction of the cost developing the capability yourself.

DO THEY OPTIMIZE THE BUYING EXPERIENCE?

Engagement from a customer is ideally more than a one-time transaction. An optimal experience in the secondary market with your products enhances overall brand perception. A vendor that provides accurate

DO THEY OFFER ONE-TOUCH LOGISTICS?

Rather than worrying about managing multiple vendor relationships, a single partner who manages refurbishment and sales in one solution adapted to your company's needs saves you time and money. A vendor with a comprehensive service offering supported by a dedicated account representative makes managing your returned product a hassle-free experience while producing positive outcomes. You should benefit from all the advantages of having a vendor manage the secondary markets, without having it take away from your employees' time allocated to managing sales and customer service in the primary market.

DO THEY CONSIDER COMPLIANCE A PRIORITY?

Secondary markets harbor great financial and brand-enhancement potential. However, a misstep in the management of returns and refurbished goods can result in negative publicity for your company. A vendor with a robust compliance function that prioritizes integrity and transparency is well-positioned to steer you clear of these risks. They can also demonstrate due diligence through compliance oversight and added-value services, such as data wiping for returned products.

CONCLUSION

Refurbished products are a growing resource for consumers to try out new products from their favorite brands and to be more sustainable and price-conscious

in their buying behavior. The rise of the refurbished market presents an opportunity for smart organizations and can quickly become a challenge for companies who are unprepared without a strategy in place.

Companies would be wise to build a strategy to tap this growing market. Additionally, aligning with best practices in their program for refurbished products will improve results and ensure a positive customer experience in secondary markets. The better the experiences that product manufacturers and retailers provide for refurbished goods, the more they will reinforce their brand strength and enhance consumer trust.

ABOUT LIQUIDITY SERVICES

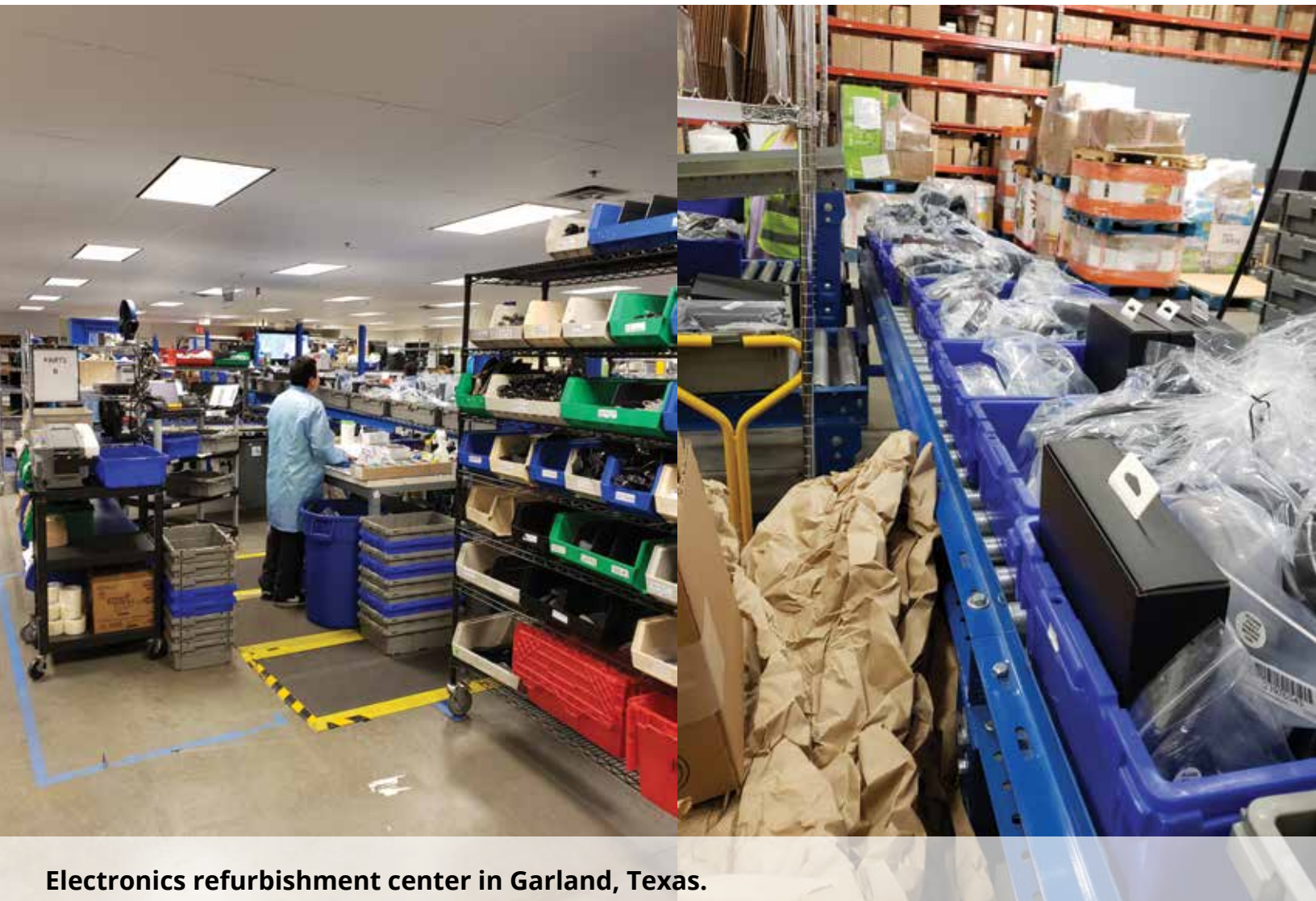
Liquidity Services (NASDAQ: LQDT) operates a network of leading e-commerce marketplaces that enable buyers and sellers to transact in an efficient, automated environment offering over 500 product categories. The Company employs innovative e-commerce marketplace solutions to manage, value and sell inventory and equipment for business and government sellers.

Our superior service, unmatched scale and ability to deliver results enable us to forge trusted, long-term relationships with over 12,000 sellers worldwide. With nearly \$8 billion in completed transactions and approximately 3.5 million buyers in almost 200 countries and territories, we are the proven leader in delivering smart commerce solutions. Visit us at LiquidityServices.com.



ABOUT THE AUTHOR

Jeff Rechtzigel is Vice President and General Manager of Retail for Liquidity Services and has served the company in e-commerce product management, service delivery and operations leadership roles since 2007. Jeff's focus at Liquidity Services is driving profitable growth through delivery of technology service expansion to Retailers and Consumer Brands, including Returns Management, Product Refurbishment and Asset Recovery services. Prior to joining Liquidity Services, Jeff was VP of Supply Chain Operations at Random House, Inc. Jeff has a degree in Manufacturing Engineering from Northwestern University.



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