

Liquidity services essay



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Case Study: Liquidation. com Electronic commerce and digital marketing

Group 3 24/11/2010 ? 1.

Business Background Every organization deals with surplus assets — whether it is excess inventory, damaged items, end of lifecycle equipment or customer returns. While most manufacturers, retailers, corporations and government agencies have well-established forward supply chain processes, goods in the reverse supply chain are a huge, and often costly, distraction for these organizations. Liquidity Services, Inc. (NASDAQ: LQDT) is a leading online auction marketplace for wholesale, surplus and salvage assets. LSI enables its corporate and government sellers to enhance their financial return on excess assets by providing a liquid marketplace and value-added services that integrate sales and marketing, logistics and transaction settlement into a single offering. Through seller relationships, LSI's marketplaces provide nearly 1.2 million registered professional buyers access to a global, organized supply of wholesale, surplus and salvage assets in over 500 product categories.

Since inception, LSI has conducted over 1.8 million online transactions generating over \$1 billion in gross merchandise value. Liquidation. com is an online business-to-business (B2B) market creator that specializes in bringing together buyers and sellers of bulk goods. It is an online marketplace that enables corporations and federal government agencies located in the United States enhance their financial return on excess assets by providing a liquid marketplace and value-added services that integrate sales and marketing, logistics and transaction settlement into a single offering. Liquidity Services has developed and deployed highly successful online sales programs on a

significant scale for clients — including large corporations and government agencies—to maximize the market reach and recovery value of surplus assets in a timely manner.

2. Liquidity Service Solution Liquidation. com is a Liquidity Services, Inc. (LSI) marketplace where professional buyers can source commercial surplus inventory and government surplus assets in an online environment.

Bulk lots are sold by the truckload, pallet, or small package, and conditions range from new in a box to customer returns and used. Wide variety of product categories includes apparel, computers, electronics, housewares, industrial equipment, vehicles, and much more. LSI operates five online auction marketplaces which designed to address the particular requirements and needs of constituents. •Liquidation. com enables corporations and federal government agencies located in the United States to sell wholesale, surplus and salvage assets. •NetworkIntl.

com is a leading online marketplace for the sale of idle, surplus and used capital assets in the oil and gas, petrochemical and power generation industries. Network conducts sales of client assets on a consignment basis using its online marketplace (www. Networkintl. com), an extensive global buyer base and product domain expertise. •GovLiquidation.

com enables selected federal government agencies to sell surplus and scrap assets. In addition to goods sold on behalf of other federal agencies, all of the surplus and scrap assets are sold as the exclusive contractor of the Defense Reutilization and Marketing Service of the U. S. Department of Defense are sold in this marketplace.

GovDeals. com is an online auction marketplace for the sale of surplus and confiscated items for local and state government entities including city, county and state agencies as well as school boards and public utilities.

- LiquiBiz. com enables European based corporations and government agencies to sell surplus goods to European and other international buyers

Through the auction marketplaces, Liquidation. com, NetworkIntl. com, GovLiquidation.

com, LiquiBiz. com and GovDeals. om, the sellers have a convenient method of remarketing surplus and salvage assets, including preparation of sales information, optional warehousing of goods, settlement and transaction reporting. The buyers have access to products in over 500 categories in lot sizes ranging from full truck loads to pallets, packages and capital assets. For any given asset, buyers can access a detailed product description, product manifest, digital images, relevant transaction history of the seller, shipping weight, product dimensions and estimated shipping costs.

LSI also operates a wholesale industry portal, goWholesale. com which connects advertisers with buyers seeking products for resale and related business services. Industry Expertise LSI organizes products into categories across major industry verticals, including:

- Apparel and Accessories
- Consumer Electronics
- Energy Equipment
- General Merchandise
- Industrial Capital Assets
- Aerospace Parts and Equipment
- Technology Hardware
- Specialty Equipment
- Store Fixtures and Equipment

3. Business solution
Liquidation.

om is one which provides a portal and support services for an intermediary between businesses, in the business to business market, allowing sellers to list bulk items for sale, using a web auction model, where all auctions are undertaken on the same basis, providing a high level of uniformity, most auctions have a starting bid of \$100. LSI solution is comprised of E-Commerce solutions (online auction marketplaces, value-added services) and Online Advertising and Search solutions. ? 3. 1. E-Commerce Solution Liquidation Service Incorporation (LSI) is transforming the way goods are sold in the reverse supply chain.

LSI have created online auction marketplaces that combine the right services and the right expertise to quickly bring wholesale, surplus and salvage assets to market. LSI works with numerous Fortune 500 companies, such as retailers, manufacturers, distributors, depot repair companies, and reverse logistics companies, to enhance financial returns from the sale of excess assets by providing liquid marketplaces and value-added services. LSI unique solution combines centralized online auction marketplaces with a full suite of integrated sales, marketing, merchandising, fulfillment, payment collection, buyer relations, and logistics services. LSI's convenient method of remarketing assets includes preparation of sales information, optional warehousing of goods, settlement and transparent transaction reporting.

The online auction marketplaces have an extensive base of over 1.2 million qualified professional buyers seeking wholesale and surplus merchandise in every major asset category. On an annual basis, LSI conducts nearly 470,000 online transactions in over 500 product categories. By leveraging the dedicated client team approach, proven shipping and logistics infrastructure,

extensive buyer base and renowned marketplaces, clients can realize benefits such as:

- Exposure to one of the world’s largest wholesale surplus buyer marketplaces providing liquidity for large volumes of assets
- Integrated value added services that minimizes the client’s time and expenses
- Rapid sales cycle time that is measured in days

Discreet venue that preserves the client’s brand value and mitigates channel conflict

- Incentive-aligned pricing model, in which LSI is paid a percentage of the final sales price
- Transparent and real-time reporting capabilities

In addition, LSI often double and have even tripled the amount of money the large sellers have received for the goods sold on Liquidation marketplaces, as compared to traditional disposition methods.

3. 2. Online Advertising and Search Solutions LSI’s wholesale portal, goWholesale brings together buyers and sellers of wholesale goods and related business services. Supported by online advertising such as Pay-Per-Click and Display Advertising, the portal provides a way for manufacturers, drop shippers, distributors, importers and wholesalers to reach professional buyers such as retailers, online sellers and other wholesale buyers.

The goWholesale portal is designed to allow advertisers to reach this highly targeted wholesale buyer audience in an effective and efficient manner. LSI wholesale industry portal focuses on three broad areas: generating leads for advertisers; providing access to a broad range of industry specific content for professional buyers; and creating an online community for the exchange of information by participants in the wholesale industry. Each component of LSI portal delivers a variety of services, including:

3. 3. Revenue model

From Buyer Side Liquidation. com will collect a buyer premium when buyers win the bidding.

A Buyer's Premium is a standard auctioneering fee that helps cover the costs associated with sourcing products, marketing auctions, running the marketplace, and managing services such as payment collection, fulfillment, testing, shipping and inspection. From Seller Side Liquidation. com has simple pricing. Sellers don't pay anything unless the items sell. Liquidation has two pricing structures: •Consumer Electronics (not including accessories): The fee is 10% of what the items sold for or \$30 – whichever is greater.

All Other Categories: The fee is 15% of what the items sold for or \$30 – whichever is greater. 3. 4. Marketing Concept Marketing and branding tactics include: ? Trust building through alliances LSI cooperates with many powerful and trust partner to complete service cycle ex. For payment method or shipping partner to ensure the security and safe transaction between sellers and buyers •In the News •Licensee of the Privacy Program • safer way to pay and get paid online • SSL, identity and authentication, domain name • Quality process and quality information Better Business Bureau ? Web transaction log analysis, customer registration forms ? Search engine marketing LSI's wholesale portal, goWholesale, brings together buyers and sellers of wholesale goods and related business services ? Guerilla marketing public relations campaign and limited advertising ? E-mail marketing Email marketing tactics are as persuasive as the web presence to get the best synergy effect of promotions and conversions ? Use Affiliate Program to get

more buyers LSI recognizes that business success involves building long term relationships with the partners.

Therefore, they have designed an affiliate program that rewards the partners for referring their users to register and use Liquidity Services, Inc. ' s online marketplace - Liquidation. com, to buy or sell surplus. The affiliate partners have the opportunity to receive a commission generated from successful transactions completed by each user they refer to the Liquidation. com marketplace in addition to paying for each unique bid generated.

There is no upfront investment and you are not required to purchase any products or inventory to participate. 4. Case Analysis 4. 1. Customer behavior analysis In order to understand what customers need, the marketing and sales teams at Liquidation.

com have studied the customer behavior by using the information collected over the past eight years. They built a tracking program that focused on conversion metrics such as the average number of auction viewed per name, average numbers of bids placed, average number of transactions, percentage of opt-in email, and percentage of visitors who registered. What they have known from customer behavior analysis and what they did in order to attract customers to the website are: ? They discovered that first-time visitors did not like fill out the existing the five-page registration form, so it was simplified to a half page. That increased registrations and opt-in to e-mail messages. ? They discovered that first-time visitors rarely purchased anything, and the average length of time from first visit to first bid was 60

days. Therefore, they have to keep in touch with first-time visitors and registrants through e-mail or other means.

? There are more demand and higher bids from small buyers who might be able to handle 100 briefcases opposed to a lot of 1, 000 briefcases. In other cases, large buyers are increasingly attracted to truckload lots to help stock discount store, flea market kiosks, and other small businesses. Liquidation.com has the flexibility to provide a broad range of product offerings to better suit customer demand and increase the total amount returned to sellers as well as the amount it keeps. 4. 2.

How Liquidation.com motivates new customers to visit website Due to the initial budget for marketing was very small, and the potential audience huge, Liquidation.com uses some tactics to promote website as following: ? Use search engine marketing offered by Google and Yahoo to bring customers to the site in the first place. They purchased hundreds of words on Google and Yahoo that would point directly to Liquidation.com product pages. ? Use guerilla marketing public relations campaigns to drive more traffic without much cost.

They try to get the company name into major media business coverage wherever possible. ? Place a small number of ads that emphasized a professional level of service, efficient business processes, and the trustworthiness of their company in trade magazines. 4. 3.

Success story Since founding in the fall of 1999 — and later its move to IPO status in February 2006 — Liquidity Services, Inc. , has become a leading online auction marketplace for wholesale, surplus, and salvage assets. With <https://assignbuster.com/liquidity-services-essay/>

over 1.8 million online transactions generating over \$1 billion in gross merchandise value, the company's forecast continues to look strong. Current stock price of Liquidity Service, Inc.

, (as of 22 Nov 2010) is USD 15.12. The chart below shows historical data of LQDT stock price and its trend for 5 years, data collected from its IPO date till week of 14 Nov 2010. Source data from: <http://uk.>

finance.yahoo.com/echarts?s=LQDT#symbol=lqdt;range=5y;compare=;indicator=volume;charttype=area;crosshair=on;ohlcvvalues=0;

[logscale=off;source=undefined;](http://finance.yahoo.com/echarts?s=LQDT#symbol=lqdt;range=5y;compare=;indicator=volume;charttype=area;crosshair=on;ohlcvvalues=0;) As a result of its successful marketing and branding campaigns, Liquidation.com has turned a murky world of inefficient, local liquidation markets into a global, trusted, online niche in the expanding Web liquidation industry. In 2007, Liquidity Services won three international Web awards for outstanding Web site development.

Among the features cited in the awards were: ? Robust search engine ?

Customized e-mail alerts to keep buyers informed Superior product

information ? Shipping quotes to assure final price for buyers. ? Real-time tracking of transactions. 4. 4.

Key factors of success ? First Mover Liquidation.com creates a new

business model on the internet auction called " Reverse supply chain

business". In the reverse supply chain, firms start with finished products and try to dispose of them. Liquidation.

com is transforming the way business dispose of surplus assets by delivering increased returns and significant cost savings, reducing traditional transaction

risks, and removing the management burden from any organization.

Differentiate Liquidation. com is another product source that is quite different than standard wholesaler and drop shipper directories. Here buyers are able to bid for low-priced auctions on bulk products that are being liquidated. They provide buyers with quick access to products from hundreds of commercial sellers, including over 30 Fortune 500 retailers and manufacturers.

Liquidation. com also has a federal contract as the exclusive liquidator for the U. S. Department of Defense, and is one of eight firms liquidating materials from other federal agencies. ? Product variety Liquidation.

om has an enormous volume and variety of goods for buyers to purchase, from over 600 product categories, in lot sizes ranging from case packs to pallets to truckloads. Virtually, all of Liquidation. com' s online auctions start with a low reserve, and contain a detailed manifest and digital photographs of the merchandise, to enable more informed purchasing for its buying customers. ? Robust search engine The site intelligently employs search engine with five drilldown menus (Product Category, Location, Lot Size, Condition, and Shipping Option) that help viewers zero in on the products they need.

In the example of the Condition category, every item is listed as either New, Used, Refurbished, Returned, Shelf-Pulled, or Salvage Merchandise. Buyers are able to create custom searches of the site and have the results automatically sent to them. ? Customized e-mail alerts Liquidation. com' s marketing team sends buyers customized emails to alert them whenever

new products get displayed for auction that matched a buyer's expressed interests. They also publish regular Buyer Newsletters, which normally feature 8 to 10 items that are represented by photos, prices and availability. Most importantly, the emails also include when the bid times end for each individual product.

At the bottom of the messages, one can find other currently inventoried products that are arranged under one of 8 major categories. Hotlinks allow the viewer to easily click through to learn more about the products and to purchase them. ? Trustworthiness With liquidation. com, buyers are able to buy directly from liquidation.

com. The product comes directly from them (in most cases), not the seller. The transaction is usually between buyers and liquidation. com.

Knowing this will generate a sense of comfort and assurance that transaction purchases are not scams. Once a transaction is completed, LSI performs each required post sale step for the seller, such as payment collection, settlement and reporting. These services provide buyers with a more secure transaction environment and a heightened assuredness in the goods that they purchase. It's little wonder why Liquidation. com' s over 685, 000 registered buyers have become ardent fans of the site. Also realize that Liquidation.

com is owned by Liquidity Services, Inc. a publically traded company on the NASDAQ stock exchange (LQDT). Liquidation. com also has a dispute department for products that are not received or damaged on delivery. 5.

Interesting issue Types of Secondary Market Merchandise Categories It is important to understand not only what types of merchandise are flowing to the secondary market but also consider why the goods are moving away from the end-user. Did the consumer just not like the product? Was it defective? Or perhaps the store just wasn't able to sell everything they purchase? In general, goods flowing from the retail community occasionally have minor damage such as scratches or damage to the packaging. Typically the product is in good working condition with only minor cosmetic damage, but goods can range from new in the box to salvage. In some instances the end-user will have product that is pulled from the retail store shelf that is brand new in the box and is being sold surplus because it is not current technology or current season. Every three to six months technology leap frogs what is currently on the store shelves and that replenishment of technology drives a lot of valuable merchandise out of stores and into the secondary market. Other condition categories are present in liquidation channels and the reverse supply chain such as opened box return items, shelf pulls where there has been some handling of the item, damaged or defective items which are appropriate for a buyer with refurbishing capabilities, and even salvage merchandise which would typically be used for parts.

Buyers with the right expertise can reutilize those parts for refurbished products but you want to be careful buying these types of goods unless you have to repair capability. Sellers of returns or non-working goods tend to have low feedback on eBay even when they are thoroughly honest about the merchandise. As you fill your specific niche within the eBay marketplace, it is

critical to note the condition code of the inventory you are buying and reselling. The definitions will help you get a good idea of what to expect:

New - New assets are in original packaging and possess all of the characteristics/qualities/ features as advertised by the manufacturer.

Traditionally, they are overstock items that were never offered for sale in a retail environment or used in any way.

They often still include the manufacturer's warranty cards. **Refurbished** - Refurbished assets are used but have been inspected, tested, and restored to full working condition. They sometimes come in original packaging and contain documentation or any additional parts and/or accessories -but sometimes they don't. Due to their operational history, refurbished assets can possess noticeable cosmetic defects and blemishes, including but not limited to dents, scratches, and signs of age. **Shelf Pulls** - Shelf pulls were previously available for sale in a retail environment but were never sold. They usually possess one or more price tags and/or stickers, indicating multiple markdowns, and have been exposed to some customer contact.

In addition, since most of these items are sent through a reverse supply chain (e. g. from a retailer back to a centralized warehouse), they can show signs of further handling. Accordingly, Shelf Pulls may exhibit a wide range of individual product and package conditions that can differ substantially from the original manufacturing. **Used** - Used assets were previously sold and put into use. They possess noticeable cosmetic defects and blemishes, including but not limited to dents, scratches, and signs of age.

Since these assets are usually pulled from a working environment, they rarely come in original packaging and rarely contain any documentation, additional parts, and/or accessories. They are minimally tested to meet only the most basic requirements of functionality (such as the power turns on and off). Used assets therefore may not be in optimal working condition and may require additional maintenance and repair. Returns - Returned merchandise was sold to a customer, who then either physically brought the item back to a store or mailed it to a specified location.

Reasons for returning a product may not have any correlation to its usefulness (i. e. , size, color, model, etc.), and as a result that product may be in fine working order. The majority of returns, however, often have operational and/or cosmetic problem. Depending on a company's return policy, these items may also reflect a measurable amount of use.

In addition, since most of these items are sent through a reverse supply chain (e. . from a customer back to a store or a centralized warehouse), they can show signs of further handling. They generally do not come in original packaging and often do not have any of the advertised documentation or additional parts and/or accessories. Accordingly, returns can exhibit a wide range of individual product and package conditions that can differ substantially from the original manufacturing. Salvage - Salvage assets have been identified as defective for reasons concerning their functionality, appearance, or both.

Salvage assets usually can only be used for parts. ? 6. Case Studies-

Liquidation. com 1. Why is Liquidation. com able to compete against eBay?

- Liquidation.

com is unique in that it offers eBay style auctions to create a market for production overruns, customer returns, and goods of bankrupt firms.

Liquidation. com uses precision online marketing and branding to compete with eBay. 2.

How did Liquidation. com build trust in its sites and services? •Liquidation.

com used a few strategic tactics to allow for the customer feel as though the site was trustworthy. First, the home page was designed with links on the

top, bottom, and side to customer service. Knowing that he or she can

contact customer service easily, allows for the customer to feel confident

- There were also logos such as VeriSign, PayPal and TrustE on the bottom of many of the pages. For the customer to see these links may allow them to feel that the site really is protected.

This may also feel free to make transaction through Liquidation. com

website. •Liquidation. com also had a news section for press releases and

press mentions to show consumers that they are well known and trusted by

other companies. Having this section on the website allows for customers to

get feeling that they are dealing with a well-known company and that it is

unlikely that they will not be taken advantage of. •There have been very few

problems with the physical transactions through Liquidation.

com. In one case, a customer received an item that was nothing like what he purchased. He contacted Liquidation. com and they ordered the seller to

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refund the money back to the customer and the customer had to return the items.

Having this security of being able to retrieve funds paid if the product is not correct is a key for Liquidation. com to build trust from its customers. 3. Why would retailers rather have a site dedicated to finding wholesalers rather than use the existing Liquidation. com site? •Some retailers are looking for long-term wholesaler suppliers.

Liquidation. com only auctions off lots that vary from day to day. Liquidation. com is typically a site for people looking for one time discounted lot purchases.

This makes it difficult for retailers like TJ Maxx to keep its stores stocked with consistent merchandise. Having a site dedicated to finding wholesalers provides retailers with a consistent mix of incoming product as well as competitive prices. . What are the key elements in Liquidation. com's core product and how does it create an augmented product? •The key elements in their core product include the ability to turn products around well, and quickly, through targeted advertising online, a strong reputation, and an entire force of individual sellers. These help to allow customers to liquidate products more quickly and for a much higher price.

It differentiates itself from other companies like ebay because of its ability to advertise the products in targeted locations, and its ability to sell Business to Business. The reputation that it can sell it for more causes more sellers to flock to it, and the reputation of getting unique products for a low price causes buyers to flock. Its reputation is really what sets it apart. •It

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augments its site by offering great customer service and a lot of support to help sellers sell their products, and it steps in to ensure that buyers are getting what they paid for, something that other sites do not do as much. This level of service is what helps it to augment its product and keep it superior to a competitor like Ebay. 5.

Find a product on the Liquidation. com site that is also for sale on eBay.