How to Source and Profit From Returns Liquidation Lots

Bay Area e-Commerce Group Meeting

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The Liquidation Industry
U. S. Secondary Market
Market Size = $329.4 billion

- Online & Auctions ($99.4)
  - eBay, Amazon, NoBetterDeal
- Liquidators ($127.4)
  - GENCO Marketplace, Liquidity
- Value Retailers ($30)
  - Big Lots, TJ Maxx, Marshalls
- Charity ($2.6)
  - Goodwill, Salvation Army
- Dollar Stores ($17.6b)
  - Dollar General, Family Dollar, Dollar Tree
- Factory Outlets ($14.1)
- Pawn Shops ($.5)
- Flea Markets ($33)

The secondary market represents 2.28% of the U.S. GDP.

Source: Creating Value Through Product Stewardship and Take-Back, Rogers, Rogers, Lembke, 2010).
Liquidation Merchandise Breakdown

$54 Billion in Consumer Returns
(store returns and online returns)

$73 Billion in Marketing Returns
(excess inventory, closeouts, seasonal goods)

About 9% of products bought at retail are returned (National Retail Federation)

Source: Creating Value Through Product Stewardship and Take-Back, Rogers, Rogers, Lembke, 2010)
Returns: The Retailer/OEM Dilemma
(Why is *their* problem *our* opportunity?)
Secondary Market Channels

Manufacturers and Retailers
(surplus and returned inventory)

Wholesale Liquidators
(e.g. GENCO Marketplace)

Other Liquidators, Brokers
(e.g. Essex, World Liquidators)

Discount Retailers

Small Businesses
(e.g. flea markets, eCommerce web sites, eBay power sellers)

Consumer
Anatomy of a Returns Lot – Is it Risky?

Buyer’s Remorse
- Wrong color, wrong size, found at lower price

One-time use
- DIY projects, “Super Bowl TV”

Cosmetic issues: Box & Product
- Box damage – retailer returns
- Product - small nick, scratch

Not working
- Percent will vary! Less on “dot com” returns.
GMP warehouse
Returns Liquidation Business At A Glance

**B2C**
(nobetterdeal.com)
- 150,000 buyers
- Fixed Price
- Auction
- Hosted sites

**B2B web sales**
(genco marketplace.com)
- 35,000 buyers
- Hosted Sites
- Fixed Price
- Auction

**Direct Sales**
- 2,000 buyers
- Liquidators and Retailers
- Auto Match/Auto Buy

**BUYERS**

**SOURCES**

**RETAILERS**

**MANUFACTURERS**
What happens to returns?
Typical Pallets
Introduced in June - Carton-sized Lots!
What Do Small Liquidation Lot Buyers Want?

Results from a GENCO survey of 650 wholesale/liquidation lot buyers
Buying Profile

Do you primarily purchase liquidation lots and resell to consumers or other businesses?

- Consumers: 77%
- Other Businesses: 22%
- No Response: 1%

Base: 653

Is buying and reselling your primary occupation or a part-time activity?

- Primary Occupation: 47%
- Part-time Activity: 52%
- No Response: 1%

Base: 653
Purchase Quantity

In what quantity do you typically purchase merchandise?

- Pallets, 83%
- Truckloads, 14%
- No Response, 3%

Base: 653

How many pallets do you typically purchase monthly?

- 0 - 1 pallets: 26%
- 2 - 4 pallets: 32%
- 5 - 8 pallets: 28%
- 9 or more pallets: 11%
- No Response: 3%

60% buy 4 pallets or fewer per month

Base: 653
What percentage of the inventory that you purchase for resale is consumer returns?

Almost half purchase most of their inventory from consumer returns.

- 8% purchased 100% from consumer returns.
- 15% purchased 75% - 99% from consumer returns.
- 19% purchased 50% - 74% from consumer returns.
- 17% purchased 25% - 49% from consumer returns.
- 41% purchased < 25% from consumer returns.

Base: 653
What Are Your Primary Reselling Channels?

- eBay: 54%
- Online markets (not eBay): 44%
- Flea markets: 30%
- Auctions: 24%
- Discount store: 22%
- Export market: 13%
- Other: 16%

Base: 653
What Is the Profit Opportunity From Buying/Selling Returns?
Why Buy Returns Lots?

- **Profit Potential**
- **LOTS of it.** Steady supply.
- **Not aged inventory.** Stuff buyers want.
- **Sorted into categories.** Stuff you want.
- **Not deep in any SKU.** Move what you’ve got.
- **Reasonable purchase quantity.** Single pallets, cartons
- **Lower cash investment.** More profit for you.
The term “Waste Factor” is a misnomer

There is a market for ALL conditions of product
(ebay category: “For parts or not working”)
## Profit Analysis on Returns (pallet buyers)

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<tbody>
<tr>
<td><strong>Product Cost as a Percent of Wholesale</strong></td>
<td>15% - 25%</td>
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<td>(Median 22%)</td>
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<td><strong>Revenue as a Percent of Wholesale</strong></td>
<td>Median 40%</td>
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<td><strong>Costs</strong></td>
<td></td>
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<td>Freight, inspection and sortation, fixed costs (e.g., rent, utilities), sales and marketing (e.g., advertising, eBay fees)</td>
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<tr>
<td><strong>Net Profit Margin as % of Wholesale</strong></td>
<td>Median 20%</td>
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For almost 30% of buyers, returns are a 25%+ profit business
Case Examples
• Ultimate skeptic
• Returns drive growth
  FROM: basement…
  TO: 10,000 sq ft & beyond….

• KEYS TO SUCCESS
  o Niche focus, with some diversity

John LaRocca
Sweet Reflections

• Brick & mortar plus eBay & Amazon
• Burned by brokers (cherry pickers)
• Direct sourcing drives growth
  FROM: a few pallets
  TO: $4 million+ in purchases

• KEYS TO SUCCESS
  • High-volume, price to sell
  • Sell everything!

| Jason Carrick |
SSF Auctions

• Quit the rat race
• Dot Com returns drive growth
  FROM: 4 pallets in garage
  TO: 50 pallets in rented space

• KEYS TO SUCCESS
  • Online returns
  • Kitchen appliance focus
  • Close examination of manifests to assess profit potential

Charlie Gerk
Easy-to-Use Website for Online Sourcing

Welcome to GENCO Marketplace
America’s largest wholesale merchandise liquidator. We sell pallets and truckload quantities of retail returns and closeouts at prices well below wholesale.

Find out more - Click Here!

Home Depot Liquidation Lots!
Where do you sell products?
Find out the best inventory for your channel.

Buyer Resource Center
Tips to buy smarter and make more money.
Top 10 Tips from the Pros (our most profitable buyers)

1. **Buy Direct** from the Retailer or their Direct Agent.
2. Find a reputable source and stick with them.
3. Understand your costs and your market.
4. Examine manifests closely.
5. Take a long-term view.
6. Find an inventory source close by.
7. Be honest about product condition.
8. When possible, buy in bulk.
9. Sell everything!
10. Work hard.
Want to know more?

Download our e-Book:

http://www.gencomarketplacevip.com/ebook
Thank you!