

Using Online Auction Marketplaces to Maximize Revenue in the Reverse Supply Chain



by Ram Aikat

Supply chain executives know the importance of a streamlined and efficient forward supply chain. Organizations of all

types and sizes have heavily invested in technology and have developed enhanced operational processes that quickly, efficiently and cost-effectively bring finished goods to the end-user. However, the most accurate planning and inventory management cannot overcome the inevitable flow of goods that are returned through the reverse supply chain. The introduction of new products, liberal return policies, supply chain inefficiencies, and even regulatory policies are contributing to the growth of the reverse logistics market, predicted to reach \$63.1 billion by 2008, according to recent research by D.F. Blumberg Associates.

While organizations have started to realize the importance of an effective asset recovery solution, the negative impact of surplus on the overall bottom-line is putting even more pressure on supply chain executives to reduce the loss associated with surplus inventory. AMR Research found in early 2006 that reverse logistics account for more than 4.5% of the total logistics costs for most organizations—a figure large enough to cause devastating impact on a company's

profitability margin. In order to prevent a negative impact, organizations must now make the leap from merely managing returns more effectively to revamping the reverse logistics process as a greater priority in the supply chain strategy.

Maximizing the Secondary Market Opportunity

The management of reverse logistics is a distraction for organizations that are focused on tier one business and sales

the opposite direction. Physical space constraints, different package sizes and even condition categories create enormous complexity.

Organizations have traditionally turned to manual liquidation sales channels that have demonstrated low recovery value and insufficient liquidity for the sale of large quantities of goods. Until recently, organizations were without a scalable way to organize surplus assets and attract the right buyers to create competition in the sale of these goods. The debut of online auctions in the

Are All Online Marketplaces the Answer?	Full Solution Marketplaces	Hands-off Marketplaces
Competitive Pricing	●	●
Aligned Incentives	●	◐
Market Liquidity (Deep SKU)	●	◐
Real Time Reporting	●	◐
Integrated Payment/Finance, Transaction and Logistics	●	○
Logistic and Warehousing	●	○
Customized Solution	●	○
Compliance Assurance	●	○

channels. In addition to draining time and resources, processes and facilities set up for forward logistics are not well suited to manage goods flowing in

consumer industry about ten years ago revealed the power of the Internet to attract a large audience of buyers that are willing to compete for the right to

purchase goods. In more recent years, online auction marketplaces have proven to be a successful, efficient and cost-effective way to target buyer audiences for surplus and salvage assets moving through the reverse supply chain.

Online auction marketplaces provide professional buyers around the globe with visibility to a continuous flow of merchandise from the reverse supply chain, such as customer returns, shelf pulls, damaged items, deep SKUs, and even surplus and scrap property from government agencies. This universal access is extremely important to organizations that need to dispose of large quantities of surplus goods—the more bidders that compete in an auction, the higher the rate of return.

However, when selecting an online auction marketplace to sell goods in

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the reverse supply chain, supply chain executives must consider several factors beyond just the size of buyer audience. Some marketplaces, such as eBay, provide a “hands-off” solution for its sellers in which they provide the venue to list goods for sale, reputa-

tion among buyers, and real-time bid reporting. For most organizations with large quantities of merchandise in the reverse supply chain, this “do-it-yourself” model does not solve the pain points of reverse logistics or produce a maximized rate of recovery.

Marketplaces that provide full-service solutions are better positioned to generate positive bottom-line results. These marketplaces provide full-service solutions that can manage every step of the disposition process including sales planning and execution, marketing intelligence and merchandising services, customer and transaction settlement, and turn-key logistics and transportation services. The right online auction marketplace will combine the right set of services, the right expertise, and the right buyer audience in a single offering.

Specifically, full-service marketplaces provide expertise in selling surplus merchandise and, based on marketing intelligence, can advise on the proper auction types, duration, lot size, and appropriate information to include in auction listings. These services are critical in providing buyers with the right information to ensure informed buying decisions and will help drive a higher winning bid amount, and thus, the seller's rate of return.

Turn-key logistics services, such as warehousing and shipping services, are critical to removing the friction of reverse supply chain product flows within an organization. By outsourcing this portion of the reverse process, supply chain managers will save time, resources and valuable warehouse space that can be used for new goods in the tier one sales channel.

Organizations should also look for a full-service provider that provides extensive customer service support. These services should include buyer qualification, collection and clearing



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of buyer funds, and enforcement of unique terms and conditions of sale, such as export controls, to ensure a safe trading environment. Other services include de-labeling services to protect channel relationships as well as a single point of contact to resolve any buyer or seller questions related to open and completed transactions.

Benefits of Online Auction Marketplaces

The bottom-line for supply chain executives in selecting an asset disposition solution is that it must deliver significant return on investment (ROI) while addressing all of the organization's pain points.

Online auction marketplaces generate higher rates of return over traditional disposition methods by providing access to a broad qualified buyer base that competes for merchandise, and thus drive the maximum pricing for the goods.

These types of marketplaces also provide superior sell-through rates of a large volume of goods by finding buyers that are interested in large lots of goods ranging from one pallet to a full truckload of merchandise. Moving goods in large quantities removes the physical logistics constraints of goods flowing in the reverse supply chain, which allows for a faster and more efficient process.

Channel protection is of increasing importance to manufacturers, distributors and retailers. Online auction marketplaces provide seller anonymity while also ensuring that the buyer segment does not interfere with the sellers established sales channels.

Transparency is also a virtue of online marketplaces. This not only provides a central online channel to view the

status of auctions, but also ensures that sellers have better management of information related to the sales process and status. In addition, transparency guarantees the integrity of the disposition process through real-time reporting from pre- to post-sales transaction information. Supply chain managers can also be ensured that the pricing model of the marketplace is aligned with their interests.

Overall, supply chain managers and executives should focus on full-service online auction solution providers that excel in three main areas: capturing and handling the flow of information, managing the physical flow of goods, and securing funds to settle transactions. The right service provider will prove that the rewards of optimizing the handling and sale of goods in the reverse supply chain are well worth the effort for managers and shareholders alike. RLM

Mr. Aikat is a Vice President of Liquidity Services Inc., which has approximately 415,000 registered business users. LSI was founded in 1999 in response to the growing need of corporations to find more effective methods for surplus and returns management and disposition. In his current role as the head of the Commercial Accounts business unit, Mr. Aikat is routinely asked by leading manufacturers, distributors and retailers to consult and advise regarding excess inventory and returns solutions.

The RFID Value Proposition for Reverse Logistics

RFID—The Next Generation of Identification



by David C. Wyld

To better understand the power of RFID (radio frequency identification), it is first useful to compare and contrast

RFID with bar code technology. The bar code has become a part of every product we buy, having become the ubiquitous standard for identifying and tracking products. While the bar code was intended to improve efficiencies in the grocery industry, it has become ubiquitous in the identification of everything, having been institutionalized across most industries and around the globe. In fact, the Uniform Code Council (UCC) estimates that there are five billion bar code scans each day around the world. Still, while the bar code and the UPC (Universal Product Code) have become omnipresent and

enabled a host of applications and efficiencies, they only identify a "thing" as belonging to a particular class, category, or type.

A bar code can not uniquely identify the specific object before you; it can identify only the product and its manufacturer. For instance, while the bar code on a box of cereal can tell you the type, size, and producer of that box of corn flakes, it can not tell you:

- Where the cereal was boxed?
- When the cereal was produced?

- The lot and/or production run during which the cereal was made?
- Where the cereal box had traveled in its journey to the shelf?
- When will the product expire?



Conceptually, bar codes and RFID are indeed quite similar, as both