



The Distribution Team

We wrote THE BOOK on Distribution Inventory Management

Liquidating Dead Inventory – Online Resources

By Jason Bader

Managing Partner – The Distribution Team

When I conduct an inventory management seminar, or give a talk at an association meeting, I generally like to pose the question, “Does anyone have any dead stock?” I generally get a polite chuckle and most of the hands go up. I suppose that we can all agree that dead stock just happens. It generally builds up to an alarming 4 alarm fire; then everyone dons a helmet and becomes a volunteer firefighter. Once we have beat it back to a dull roar, the helmets come off and we go about our normal business. Unfortunately, a spark will turn into a brushfire over a relatively short period of time.

This series of articles has been dedicated to the liquidation of those items we deem deader than a doornail. I like to recognize it as captive cash just waiting to return to its natural greenback state. In this edition, I will explore the use of online resources as a means to turn garbage into gold – or at least a couple of nickels.

When we start to talk about online liquidation, the big E always enters the discussion. Let’s face it, EBay is the most successful online liquidation site ever created. It has truly exploited the garbage to gold concept. Millions of people unload their unwanted items on this site each and every day. Buyers consider themselves lucky to find such treasures at bargain basement prices. It is a paradise for the estate sale set.

Unfortunately, most of our inventory is not sexy enough for EBay. The main draw to this site is that the merchandise generally sparks an emotional impulse – followed by the excitement of a bid. Most of us do not get giddy at the site of a 2” pipe clamp. Many of the clients I work with have been disappointed with their efforts to use EBay as a liquidation solution.

If you want to try to sell on EBay, understand the mass market appeal of items in your vertical market. My friends in the law enforcement distribution community can do really well on EBay. Knives, flashlights and certain combat ready apparel have emotional appeal. Construction related distribution has power tools. These items can tap into the emotional buyer. What soccer mom can resist the lure of an 18 volt drill?

Moving beyond the big E, the road narrows a bit. Many associations have tried to put together online inventory exchange sites. Most have found the utilization to be lacking. Most of the members do not want to go through the upkeep of posting items and quantities as their items die and get sold off. There are generally more postings than buyers. We all want to sell our dead stock, but we don’t seem to want to shop for bargains.

There are a few different sites that cater to the distribution community. I am sure that there are more out there, so please do not get your feelings hurt if I fail to mention your site. I will be creating a resource list on my website in the future. Feel free to send me a note and I will add you to the list. One caveat, I will only post sites that charge a reasonable transaction fee. Reasonable is always a relative term.

The first site, Pricingnet.com, caters primarily to the heating and cooling distribution community. It has been restricted to distributors in the past, but may be opened up to the end user community. It generally works on a transaction fee basis. Members of the community post their items online and buyers have the ability to browse items currently posted. Some items have suggested prices, but they are subject to negotiation. Many items have “make offer” posted in the price. Once a price has been negotiated, sellers pay a 6% transaction fee to the site. Buyers are not subject to a charge. This model may be adapted to fit other vertical markets.

The next site, Deadstockbroker.com, caters to the industrial distribution market. Buyers generally look through Excel spreadsheets based on manufacturer listings. Again, many items on this site allow the buyer to make an offer. Final sales are subject to inspection by the buyer. If you misrepresent the condition of the merchandise, you might not get paid. One of the more interesting features is the “wanted” section. Industrial suppliers should take a look at this page. I suspect that there are several opportunities for liquidation.

The medical distribution community has access to The Palm Tree Group, www.thepalmtreegroup.com. This company has partnered with HIDA (Health Industry Distribution Association) to bring inventory trading solutions to the membership. I believe that their model could be modified to partner with any vertical market.

The final site is called warehousetwo.com. I found this to be the most unique concept of the online offerings. Although it is touted as an inventory sharing resource, it is just as suitable for dead stock liquidation. This organization creates trading communities. It restricts viewing access to only those members who are current dealers of a vendor line. The site administrator actually verifies this prior to your acceptance into a community. This prevents distributors from cherry picking lines that they do not currently represent. Rather than charging a transaction fee, the site charges a nominal monthly membership. This tends to encourage greater participation in the inventory exchange. It currently caters to the industrial market, but the administrator could adapt the model to work on any vertical market. This could be an excellent solution to the fledgling association overstock lists.

Online solutions may not provide the bulk of your inventory liquidation efforts, but they are a viable tool in your arsenal. I encourage you to review the options available and see which products in your dead stock list have online market appeal. As distributors, we will constantly generate dead inventory. It is just part of what we do. Use this tool, and the others I have highlighted to turn those captive dollars into spendable cash. Dead

stock liquidation is not a one time occurrence. It is a constant process of identification, consolidation and cash recovery. Good luck.

Jason Bader is the managing partner of The Distribution Team. The Distribution Team specializes in providing inventory management training, business operations consulting and technology utilization to the wholesale distribution industry. Jason brings over 20 years of experience working in the distribution field. He can be reached at 503-282-2333, Jason@distributionteam.com, or at www.thedistributionteam.com.

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