

The Secondary Marketplace

Broker Integrity – What effect does it have on your product's sale?

By Jeff Hilliard – President - Compudigital Industries

One of my pet peeves involves the lack of integrity within our marketplace. Being a part of the secondary market for many years, I have witnessed brokers that have come and gone, very few with high integrity and the rest with none at all. Generally speaking, brokers with integrity tend to be in business much longer than those without. The old adage “what goes around, comes around” certainly applies to this marketplace. According to our mission statement, Compudigital makes every attempt to work with companies of integrity

The Unscrupulous Broker

Unscrupulous marketers can ruin the marketplace for an offering overnight causing reverberations that can last for a long time. One practice that makes this threat a reality is emailing offers to more than just a select few experienced people. As I have mentioned in previous articles, send an offering to more than one or two of your most qualified brokers can be devastating in a hurry.

Consider this...As a manufacturer, you have 1000 leftover pcs of a consumer product that has been a great seller. You have a newer model being introduced into the primary marketplace and your desire is to quietly move these 1000 units into the secondary market. This offering can be handled in two ways:

1. You can offer them to an inexperienced broker who as a general rule places all offerings on a list server to offer up your product around the world overnight.

Under this scenario, for discussion sake let's say this broker sends this offer to 10 of his “closest brokers”. And let's suppose that these 10 brokers each send it to 10 of their closest customers as well. Using just 2 levels, your primary broker and their small list of customers, the possible market perception will instantly be that there are 100,000 units available, 100 times the quantity that really exist! As the market sees offerings coming from many directions, this mis-perception can cause the market price to tumble when in reality, the quantity perceived is entirely false. In addition to destroying the price, the marketing of your new product and all related products can be adversely effected.

As the word gets around about brokers that practice these techniques, their businesses dwindle and eventually they do not have the volume of business to sustain their companies. When they finally go out of business, they change their names and start over again. Many of the brokers that work in the current marketplace have been in this business numerous times before under a different name or identity.

A better way to handle this sale is to proceed with a broker of integrity and with a keen knowledge of the secondary market. The experienced broker will offer up the product to a single buyer at a time, giving each a day or two to try and move the product in a controlled fashion. In the case where the volume is very large, an experienced broker may decide to break up the order into smaller portions and carefully distribute them quietly over time. An experienced broker/partner will NEVER offer product to more than one or two other experienced partners. This keeps the marketplace tightly controlled.

Sharing Marketing Information

An experienced and integrity filled broker will also share marketing information with you as the seller of the product. This includes the names of the customers, the selling prices etc. This is NOT a practice you will often see in the secondary marketplace. I have learned over the years that releasing important information to the manufacturers has presented no threat of any kind to our company and enhances the level of trust. Compudigital Industries provides all of the manufacturers that we sell for access to our WEBSITE designed exclusively to display marketing information. This provides valuable marketing data to the people who need it most – The seller of the products. This information includes pricing trends, receiving and shipping information, model/price comparisons etc.

In contrast, most brokers without integrity see this as a major threat in that the information may cause the manufacturing seller to “find them out” or to see how they really work.

Protecting your primary marketplace

Most of today's brokers don't think twice about selling to anyone willing to write a check for the product. An integrity filled broker will always attempt to steer sales away from your primary marketing partners. Look for a broker that is willing to loose a major sale if the terms set forth by the seller cannot be met!

Protecting your primary market includes:

1. Steering sales away from any company that sells your current models.
2. Keeping the products within the geographic boundaries as specified by the manufacturer
3. Have the broker/partner handle all of the warranty return issues.

There are numerous reasons to use a broker/partner with integrity. For the selling manufacturer, the right broker/partner can ease your worry and provide the highest return on your excess, especially when you consider the collateral damage that can occur as the result of a broker who doesn't care...