

## The Secondary Marketplace - A look back

### **The Internet Customer and Consumer Mentality – You may want some insulation....**

By Jeff Hilliard – President - Compudigital Industries

September 3, 2002 – This week, one of our largest customers had an issue with a shipment that turned out to be quite painful. To set the stage, Compudigital works with many companies to provide sales and fulfillment services. Many products are stored by Compudigital on behalf of manufacturers who want to sell their excess materials. In this particular relationship, our role in this is to provide sales services over the Internet and to fulfill those orders.

In a recent case, a customer ordered an upgrade to a product that we had in stock on behalf of one of the manufacturers we represent. The product was listed on the box as “refurbished” or “B-stock”. Normally when the box is notated as being “refurbished”, it has been tested and certified by the manufacturer. The order was processed and the product was shipped to the customer.

When the customer received the product, upon opening the factory sealed box he found that instead of a product that was refurbished, the box contained the product marked “defective”, an obvious oversight on the part of the manufacturer. As a result, when we were notified of the error, all charges were reversed and the customer was not charged. It turns out that this particular product was the only one in existence and there are no more available. Even though the liquidation sale price of \$50 was only 5% of the initial retail price, the customer now is demanding a credit of \$1,800, funds that were not realized in revenue as a result of this error even though he never paid for the item.

Though we do sell many of the products through distribution in one way or another, we sometimes are dealing with consumers on the Internet, a group with a different mindset than distributors or retailers. If there is an opportunity to take advantage of a manufacturer, this is it.

In this case, the manufacturer had decided to “partner” with Compudigital as the Internet sales and fulfillment channel and as a result, they have been pulled into the middle of the dilemma. It is much cleaner in all respects to draw a clean line between the manufacturers and the buyers, weather the end user, small retailers, or major distributors. This can only be accomplished by using a reputable & educated broker/partner. Having a broker/partner offer the products from his stock is much different than an offering on behalf of a manufacturer.

Had this relationship been set up with this clear division in advance, the customer would have had no contact with the manufacturer & the broker/partner would have taken 100% of the abuse.