

The Secondary Marketplace

Should I sell directly to the major distributors or go through an experienced broker?

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Is the appropriate sales channel for your excess or obsolete material the primary market or should it be sold through an experienced broker into the secondary marketplace? This is a concern that needs to be addressed carefully. A couple of things to consider;

Is the product sale going to affect current pricing on any of the primary market products currently being sold? If so, it may be a good idea to consider the secondary market approach. Remember that the buyers that buy on the secondary market are generally a different group than your primary buyers. As a result, selling through the secondary market, if handled properly does not have much impact on your primary market.

As an example, lets talk about a CDRW Drive that has specifications very similar to a new product you are about to release. You have 3,000 pieces to sell and it is apparent that the prices will have to be significantly reduced to move that much quantity. If these were moved through one of your primary partners/distributors, there is a high probability that the sale could drive the pricing down on the new model. The distributor would normally offer the drive to the consumer at a greatly reduced rate as well.

The secondary market may be a good alternative, especially if you have trust in your selling partner and can direct where and how the drives are sold. A broker worth his salt knows that your wishes are of paramount importance and that the drives must be sold according to the sellers needs. Steering the product away from your primary channel of distribution is one of the first steps you can take to avoid problems. As a part of our strategic secondary market planning, we intentionally move material in directions away from the sellers primary channel market partners at any cost. It is normal to provide other partners with the names of all of the primary channel partners in order to prevent future problems.

Another tip...Make sure that the products are not sold out of the geographical area that you control. Warranty issues, customer satisfaction and other issues seem to always arise as a result of products sent out of your normal sales channel areas.

The secondary marketplace is a great venue to sell excess and obsolete materials. Make sure that all sales are consummated under a very controlled fashion using experienced broker/partners.