

## The Secondary Marketplace - A look Back - 2004

### *You may be related to your closest competitor*

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The secondary market (grey market) is a great place to sell excess and obsolete products. If properly controlled, this marketplace can become a source of revenue instead of a cost of doing business. If not controlled, the secondary market can become your worst nightmare.

Our company deals with many fortune 500 companies, selling their excess and obsolete products. Each week, these companies provide our staff with listings of material that they wish to sell.

One of our biggest jobs is the distribution of important information about this marketplace to those responsible for selling their material. As brokers within this arena, we also learn, day by day how to handle some of the critical nuances of this marketplace.

### **A very common but disturbing scenario**

Imagine this very common scenario, one that occurred quite recently to our company...

As a broker partner, you are offered 10,000 pieces. of a specific product (the type of product is not critical). The representative responsible for the sales of this product at the offering company presents a price that is reasonable. As a responsible secondary marketing partner with integrity, you proceed to only one buyer at a time to sell the product. Prices and terms are negotiated the product is sold. We normally issue a purchase order to the selling manufacturer, wire the funds immediately and take delivery of the product.

But in this case, after we have sold the product, as part of a large broker network, we were offered the same product that we just sold to our customer ! . Everything matches, the quantity, the location of the material...everything. Remember that this material was NOT offered to any other party and, nothing was mentioned to any other partner. What appears to be an information leak within the broker/partner channel may turn out to be the attempt of the manufacturer/seller to sell the product through a different channel.

This is normally a responsible attempt of the manufacturer to get the "Best Price" from the marketplace. The natural tendency would be to offer products in many directions to make sure that a large audience has been reached with the product offering. Sellers of the material are obviously driven to bring in the highest offer. By offering this material from 2 directions, your company ends up becoming its own competition. Since this has become such a serious problem, we now ask "are you offering this material to anyone else?". It is better for our company to pass up an opportunity to sell a product and let another experienced broker/partner sell the material than to risk a major price drop due to unproven marketing strategies.

Offering material to more than 1 broker/partner can be a critical mistake

First and most importantly, when an item is offered to the buying public through more than one source, the market perception is drastically impacted. When you offer product to two broker/partners, the original quantity of 10,000 pieces suddenly becomes 20,000. As these items are offered through email notifications via multiple brokers down the line, the market perception could easily be that 200,000 or more units are available. Since all products have a specific market size, and since the market perception is that there are so many units, the net affect is that the price will suddenly drop. There appears to be more product available than can be consumed. As a result, we counsel our customers to use only one broker/partner to move material. If it doesn't happen to be Compudigital, that is fine but whatever you do, only use one.