

Capitalize on Surplus Asset Management Opportunities with an Expert Partner



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Introduction

Every organization has surplus: idle or end-of-life equipment and excess inventory no longer required. For businesses with capital assets, this includes everything from heavy equipment to motor vehicles to scrap metals and recyclables.

Traditionally, the management of this surplus – known as the reverse supply chain – has been a burden for organizations. Today, the reverse supply chain is a \$150 billion and growing industry, and savvy organizations are learning they can no longer ignore this area.¹ Business trends – from constant innovation and shorter product lifecycles to mergers and acquisitions – are creating more surplus, putting pressure on organizations to effectively manage it. Leveraging their reverse supply chains, organizations can unearth hidden value by maximizing return and velocity, simplifying operations, enhancing productivity, informing business decisions, and mitigating risks. But, can they do it alone?

Since the reverse supply chain is, by definition, a non-core function for most businesses, your organization likely lacks the time and resources required to build, implement, and manage a high-performing surplus asset program. The ideal solution is often to select a trusted partner to transform the burden of surplus into liquid opportunity.

Read on to discover why surplus asset management is essential for today's businesses, and how a trusted provider can help you maximize value in this area.

Opportunities and Challenges Requiring a Reverse Supply Chain Partner

Constant Innovation and Shorter Product Lifecycles

Whether you manufacture automotive parts, biopharmaceuticals, or fast-moving consumer goods, product lifecycles in your industry are getting shorter. As a result, manufacturing equipment is becoming obsolete faster, with machinery that used to meet production needs for 15 to 20 years now becoming outdated within ten. This leads to surplus in the form of obsolete equipment still in good working condition.ⁱⁱ

How a Partner Helps You Capitalize

A trusted reverse supply chain partner will leverage expert marketing and sales strategies to maximize recovery for your outdated surplus. Developing countries are a robust market for obsolete surplus, since assets that your organization considers outdated may be in demand in these regions. An effective reverse supply chain partner will tap its global buyer base to sell your surplus anywhere in the world.

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Mergers and Acquisitions

Many industries are experiencing increased merger and acquisition activity. Every year since 2005, at least two trillion dollars worth of M & A activities have occurred.ⁱⁱⁱ Forward-thinking organizations are merging with or acquiring companies to diversify offerings, enter new markets, or strategically consolidate operations.



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How a Partner Helps You Capitalize

A proven reverse supply chain partner helps businesses extract maximum value from mergers and acquisitions in three ways. First, merger and acquisition activities often result in surplus when facilities are moved or consolidated. A superior partner works with you to resell or redeploy all of this surplus, maximizing value for your business.

Second, companies can support strategic merger and acquisition decisions by appraising targeted companies. An expert reverse supply chain partner will leverage robust market data and industry expertise to accurately value your targeted companies, providing critical insights to guide decision-making.

Finally, many mergers and acquisitions in your industry aim to expand an organization's operations internationally, particularly into developing countries. A superior reverse supply chain partner will have a global buyer base that drives maximum recovery for your surplus anywhere in the world. It will also provide superior asset management software that lets you effectively manage surplus across all global locations.

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Time-Sensitive Need to Manage Surplus

Smart organizations understand the need to tackle the challenge of surplus *today*, not tomorrow. Surplus assets account for storage costs and take up valuable space. They sit on your company's financial books, making taxable income higher than needed. And they depreciate, becoming less valuable over time.^{iv}

Your organization should have a sense of urgency about its surplus, and understand that the most efficient way to turn your surplus into value is through an expert reverse supply chain partner.



Smart organizations understand the need to tackle the challenge of surplus today, not tomorrow

How a Partner Helps You Capitalize

An expert partner will swiftly transform your surplus into value by selling and internally redeploying it, taking it out of your warehouses and off your books. Look for a provider that can efficiently manage and sell large volumes of surplus assets on an ongoing basis, creating a continuous capital stream to fuel your strategic initiatives.

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Cost and Time of Surplus Management

The reverse supply chain typically requires more time, attention, and resources than the forward supply chain. Since the reverse supply chain usually consists of low volumes of multiple items, it's often more challenging to manage and scale. Many aspects of the reverse supply chain require specialized knowledge to execute effectively. For instance, valuing surplus assets necessitates a vast market database and knowledge of key valuation methods. Effectively selling surplus assets requires expertise in the secondary market, buyer behavior, and multichannel marketing strategies.^v



Many aspects of the reverse supply chain require specialized knowledge to execute effectively

How a Partner Helps You Capitalize

An expert partner simplifies and maximizes efficiency across your entire reverse supply chain. A trusted provider will implement and continually manage a program aligned to industry best practices and your strategic goals, freeing up resources for you to focus on core business.

An effective partner will have expertise in every area of the reverse supply chain. It will have the market data and expertise to accurately value your assets, the global buyer base and expert marketing strategies to sell them for maximum recovery, and the industry and reverse supply chain knowledge to skillfully manage all surplus across your organization.

An effective partner will have expertise in every area of the reverse supply chain

Buyer Expectations

Buyers of surplus, like buyers of virtually anything, expect a quality purchasing experience. A major issue for surplus buyers is extra costs associated with transportation and removal, spare parts, custom duties, and warranties. Additionally, Liquidity Services' own research found that buyers' top challenges in purchasing surplus assets are lack of product details (48% rated difficult or very difficult); unrealistic reserve prices (42%); and removal, transport, and shipping (38%).^{vi}

By delivering superior purchasing experiences, your organization will satisfy buyers. Satisfied buyers become loyal customers who are willing to pay more for your surplus.

How a Partner Helps You Capitalize

A surplus asset management provider that creates excellent buyer experiences will maximize recovery for your organization. Look for a partner that provides complete information about all lots for sale, including detailed descriptions and compelling photos, since this is a priority for buyers.

Buyers also carefully consider the ease and cost of shipping and transportation, so ensure your partner has superior capabilities in this regard. Select a provider whose extensive warehousing network allows you to store your surplus at locations convenient for your buyers. Bonus points go to a provider that can facilitate asset removal, even designing customized removal processes if needed.

Buyers' Top Challenges in Purchasing Surplus Assets



Lack of Product Details



Unrealistic Reserve Prices



Removal, Transport, and Shipping

Look for a partner that provides complete information about all lots for sale, including detailed descriptions and compelling photos

Regulations in the Reverse Supply Chain

If handled without expert compliance support, the reverse supply chain is fraught with potential risk. For instance, many countries have laws restricting sales within specific asset categories or to certain countries, individuals, and entities. Sensitive assets such as electronics must be wiped before being sold. And illicit buyers – including ex-convicts and known terrorists – must be carefully screened out to ensure they don't purchase your surplus.^{vii}



If handled without expert compliance support, the reverse supply chain is fraught with potential risk

How a Partner Helps You Capitalize

A proven reverse supply chain partner will provide a full suite of compliance services to protect your business and reputation from all risks associated with managing, valuing, and selling surplus. An expert provider will use proven, industry-standard data wiping processes to ensure your surplus assets are never sold containing confidential information. It will also provide buyer vetting services to make sure your assets aren't sold to the wrong buyers. Look for a partner whose buyer agreements adhere to all applicable export controls and economic sanctions regulations, assuring you that your surplus will be sold in compliance with all international laws.

A proven reverse supply chain partner will provide a full suite of compliance services to protect your business and reputation

Conclusion

Your surplus isn't a burden – it's an opportunity to maximize value across your business and fuel achievement of your strategic goals. An expert reverse supply chain provider helps your business effectively capitalize on the many business opportunities driving the need for surplus asset management.

The right partner will maximize total value across your reverse supply chain while requiring little time and effort from your organization. A reputable partner will have professional, data-driven services to manage, value, and sell all types of surplus assets. It will also possess extensive knowledge of the secondary market; a vetted global buyer base; and the ability to ensure transparency, efficiency, and compliant removal of assets. Partnering with an experienced provider, your organization can maximize value across the reverse supply chain while freeing up resources to focus on core business.

About Liquidity Services

Every organization has surplus – assets or inventory no longer required. Liquidity Services (NASDAQ: LQDT) works with clients to ensure surplus is intelligently transformed from a burden into a liquid opportunity that fuels the achievement of strategic goals. Our superior service, unmatched scale, and ability to deliver results enable us to forge trusted, long-term relationships with over 9,000 clients, including Fortune 1000 and Global 500 organizations as well as government agencies. With over \$6 billion in completed transactions, 3 million registered buyers, and reach into almost 200 countries and territories, we are the proven market leader in delivering smart surplus solutions. Let us build a better future for your surplus. Visit us at LiquidityServices.com.

ⁱ <https://www.liquidityservicesinc.com/company/news/media-coverage-details?title=best-practices-for-asset-management-to-achieve-competitive-advantage>

ⁱⁱ <http://www.referenceforbusiness.com/management/Pr-Sa/Reverse-Supply-Chain-Logistics.html>

ⁱⁱⁱ <http://blog.thomsonreuters.com/index.php/preliminary-mergers-acquisitions-review-fy-2013/>

^{iv} http://www.supplychain247.com/article/why_reverse_logistics_needs_to_become_a_core_competency

^v http://www.supplychain247.com/article/why_reverse_logistics_needs_to_become_a_core_competency

^{vi} Maximize Value in Your Reverse Supply Chain Through Superior Buyer Experiences

^{vii} <http://www.supplychainquarterly.com/topics/Strategy/201201reverse/>