



The Best Kept Secret in Bargain Shopping

How buying in the secondary market can
save you hundreds on everyday purchases

By Bob Auray

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Spread the word about bargain hunting in the secondary market! Post this e-Book on your blog or send it to whomever you think would benefit from reading it.

Look in the mirror and ask yourself – when you shop, are you getting the best deal possible?

You pride yourself on your ability to sniff out the lowest prices, don't you? Like most of us these days, you don't have money to burn, so you shop, search, and seek out the best deals on everything from birthday gifts to home furnishings to groceries. Your motto: **There's always a lower price!**

You patrol the discount stores. You scan every Sunday flyer. You may even search Internet sites, such as eBay, for the best deals you can find.

So – are you getting the best deals possible? Can you say "YES!" with absolute confidence?

I didn't think so.



If you're not buying in the secondary market, you're not getting the lowest prices available.

"OK – so what's the secondary market?"

The secondary market has existed as long as goods have been sold, but **only recently became directly accessible to individual buyers like you and me.**

It consists of retail store returns, surplus inventory, bankruptcy sale inventory and products that just didn't sell the first time around. If you shop deep discount stores (for example, Big Lots or Dollar General), you're buying secondary market products. For decades, those products have been bought up at pennies on the dollar by wholesale liquidators, who turn around and resell them to the deep discount retailers or flea marketers, who then make a big profit selling them to you for less than the original retail price.





Smart shoppers get great deals at deep discount stores and flea markets. But today, some wholesalers have begun to cut out the middleman and sell their secondary market products directly to consumers for a lot less – on the Internet.

Until recently, such deals were pretty much limited to the wholesalers' own employees, or a restricted, limited pool of other wholesale or retail customers. But now, **you can get the same deals – absolutely the lowest prices anywhere, anytime.** No retail markup, no overhead – just a rock bottom price.



Buyer profile:

Saving scratch (and cooking up a bargain)

Chris is an autoworker, a dad, and a regular customer of one of the best secondary market web sites selling to consumers.

“I just bought a Weber gas grill online. OK, it had a scratch on it. But it cost less than 50 percent of the retail price, and it works perfectly. I could have bought a cheaper, lower quality grill at list price at the store, and it would have had a scratch on it within the week. To me, it’s a no-brainer.”



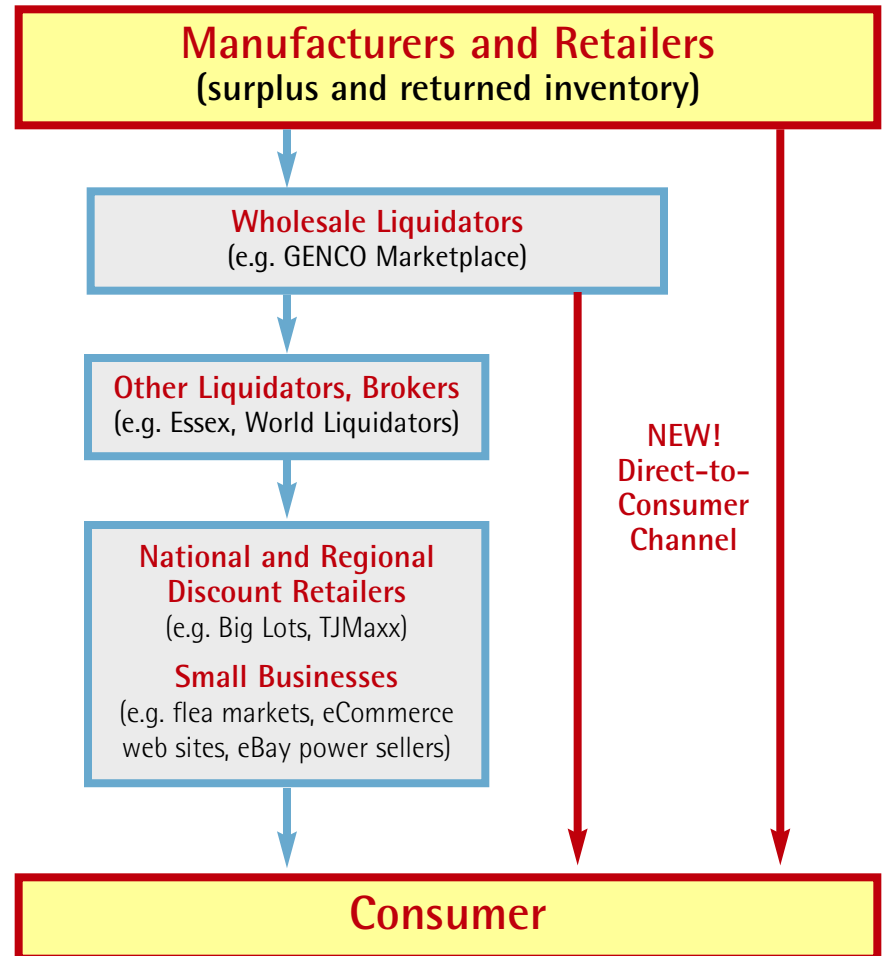
How does the secondary market work?

The National Retail Federation estimates roughly 8.7 percent of all goods purchased in 2008 were returned. That's \$219 billion worth of returned goods, which represent a little **less than half** the goods eligible for the secondary market.

Retailers and manufacturers refer to returns and surplus as "distressed" inventory and want to get rid of it fast. Why? Because it costs them big money to store and handle it. Also, the longer they hold it the less value it has. (For example, the average consumer electronics product loses 10 percent of its value every MONTH.)

So, manufacturers and retailers move such products in the secondary market, sometimes for as little as 5 percent of their original price. A few of the big guys (for example, Best Buy and many name brand clothing retailers) have their own outlet web sites and stores, but in most cases wholesalers like [GENCO Marketplace](#) and [Liquidity Services](#) buy returned, damaged and liquidated products, and then sell them to discount retailers.

The following chart shows you how products flow through the secondary market, and just how many times items can be touched – and marked up! – **before** they reach you.



This is the secondary market – **and now, for the first time, the wholesalers are selling directly to the consumer – to you!**



Buyer profile:

The most popular mom in the neighborhood

Ashley, an Ohio mom with a small daughter, has been shopping the secondary market online for a little over one year. *“I’ve bought a refrigerator, rocking chairs, toys, electronics – everything you might think of – for me and for my whole family. I love the deals I get!”*

“For example, I found a changing table listed at \$189 for \$35, and a backyard playhouse that cost \$200 in the store for \$30. I even bought a backyard roller coaster that my family loved so much, I had to buy two more! I bought all three for less than half-price!”

Ashley says she’s had so many great deals on toys, her backyard has become the neighborhood’s favorite playground. *“Which is great – most of the time...”*

Can you find better prices?

What kind of bargains are we talking about?

- A \$300 backyard swingset for \$45
- A \$350 digital camera for \$172
- A \$553 high-def LCD-TV for \$377
- A \$50 lawn edger for \$27
- A \$77 men's watch for \$33

Get the idea?



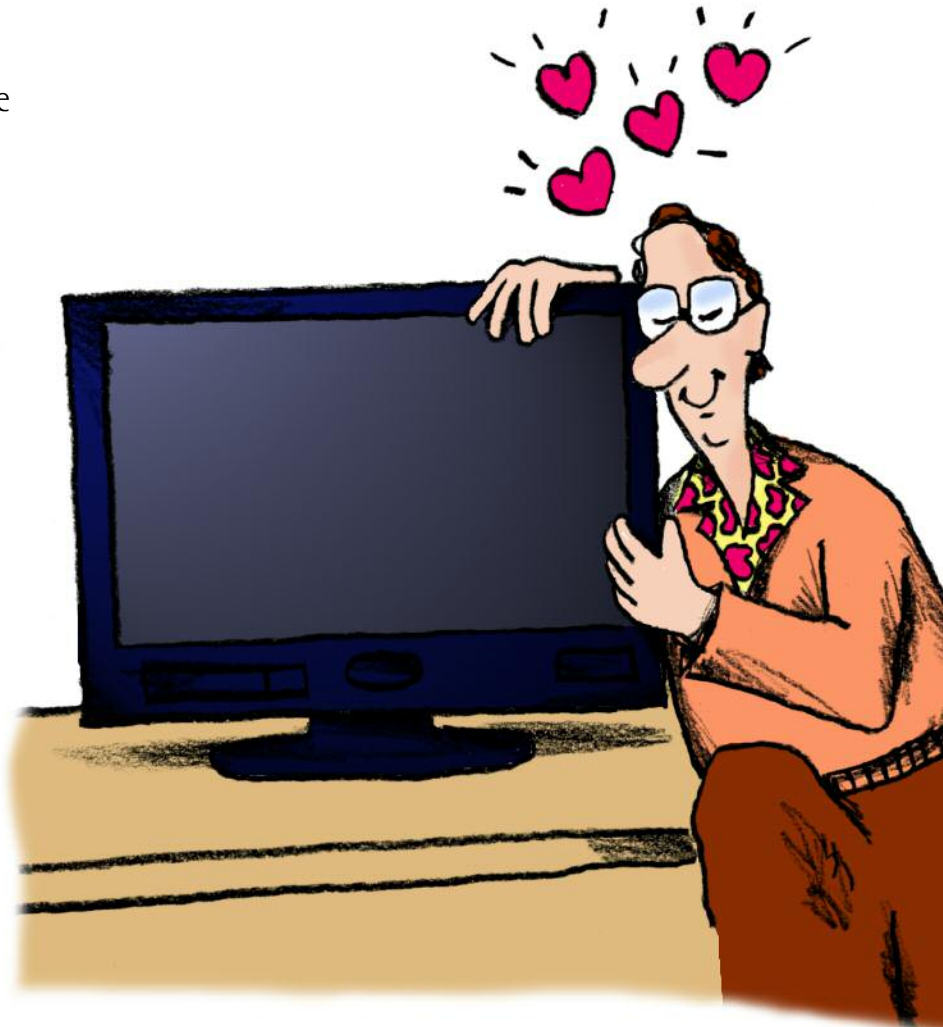
Just because it's inexpensive doesn't mean it's junk.

Terms like "salvage" and "liquidation" are sometimes used to describe product in the secondary market. These terms get a bad rap from people who dismiss such product as "somebody else's junk." In fact, liquidation goods are often non-defective returns or simply excess inventory a retailer couldn't sell.

For the most part, they're still quality products – TVs and electronics that function perfectly, home furnishings that still look great, power tools that work, balls that still bounce. Some are in their original packages, some may have a scratch, and some "As Is" product may be missing a remote or a screw. But, for the most part, **they're a great deal you won't find anywhere else.**

For decades, wholesalers like GENCO Marketplace and Jacob's Trading have made a living selling these goods to discount retailers, flea marketers, exporters and other businesses. Recently, some have begun to sell directly to consumers on web sites such as NoBetterDeal.com and Overstock.com.

The bottom line: Quality, brand-name product is now available on the Web at discount levels consumers rarely see.



Don't waste your time on wholesale sites that aren't interested in consumer business.



It's not easy to find the secondary market wholesalers who have decided to sell to individual consumers like you, because it's a new phenomenon. Google is not your friend here. It's tough to find a keyword that will help you search out the right sites.

That's because most wholesalers selling on the Web are marketing to businesses, and only sell products in large lots. You'll know right away if you've reached one of these sites. If products are sold by the truckload, pallet or case, this is not a consumer site. (Unless of course you're interested in purchasing 60 toasters at a time!)

We're making it easier for you. At the end of this e-Book, you'll find a list of some secondary market web sites geared toward individual bargain shoppers. It's a short list because it's a new trend – act quickly, and you'll be ahead of the crowd that's sure to come as word gets out about these amazing deals.

“Can I trust these sites?”



“Sure, the prices are great – but how do I know what I’m buying will work? How do I know it won’t arrive at my home in pieces?”

That’s what you’re thinking, isn’t it? You’re smart to ask, but the truth is you can manage or even eliminate your risk if you want. (More about that on the next page.)

The biggest concern with any online shopping is **trust** – how do you know you’re dealing with a reputable company? There are four steps you can take to ensure you’re dealing with a trustworthy secondary market web site.

- One:** Read the Terms and Conditions, paying special attention to the return policies.
- Two:** Make sure they label their merchandise for quality and condition.
- Three:** Understand who pays for shipping and how that cost may impact your total price paid.
- Four:** Read their “About Us” page, and look for a long history of doing business reputably and successfully.

Terms and Conditions: Read ‘em or weep.

“Oh, no one wants to read all that.” Every retail web site posts its Terms and Conditions, and for the most part there are no surprises. But when buying in the secondary market, the devil is in the details. This is where most sites spell out their return policies and, if you want to avoid risk completely, you need to know if a company offers refunds for products that don’t function.

If the Terms and Conditions are unclear – call and ask or simply move on.

Product quality: Avoiding surprises.

The best secondary market sites clearly state the condition of their products, so you know exactly what you're buying, and are clear on what – if any – risk you're taking. For example, www.NoBetterDeal.com divides its goods into four categories:

| | |
|--------------------|---|
| New | Items are sealed in their original packaging and can be returned if the condition is not as described. |
| Open Box | The outer packaging may be worn and re-taped, but items should function properly. Because items were opened and returned, there may be evidence of minor use. These items can be returned if the condition is not as described. |
| As Is | These items are retail store returns, the vast majority of which are fully functional. However, items are not tested or powered up to verify functionality and may have scratches, minor defects, or missing components and accessories. This is reflected in the deeply discounted price for "As Is" items. These items can be returned if the product does not work upon receipt. |
| Refurbished | Items have been restored to factory settings and tested to ensure full functionality. They may or may not be in the original packaging, and there may be evidence of minor use, scuffmarks and scratches outside the viewing area. But these items work as well as "new" merchandise. |

“As Is” *isn't* for the faint of heart – but what prices!!!

The toughest choices you'll face when buying in the secondary market are products in the “As Is” category. “As Is” often means what it says: You buy it, you own it, and you can't return it. Some web stores **will** grant a refund if the item does not work, so study the terms carefully.

When it comes to retail store returns, it's simply not economical for retailers or manufacturers to inspect every single returned item to determine exactly what, if anything, is wrong with the product. So, they get rid of it quickly through the secondary market. Wholesalers snap it up and market it with an “As Is” label. If you're looking for a product that works and don't demand new and factory-sealed, don't skip over the “As Is” or “Scratch and Dent” listings. That's where you'll find the biggest savings.

Some web stores may tell you what's wrong with an “As Is” item or note which parts are missing. If so, this indicates the item has gone through an inspection process and, therefore, may cost a little more to cover this labor expense. Most “As Is” product descriptions won't indicate if or how an item is flawed. It could be like new. It could have a barely visible scratch, or a missing remote that you'll have to shell out another \$25 to replace. Or it might have a bigger problem, like a camera with a broken flash.



Some “As Is” wisdom.

So, do you wade into the “As Is” risk pool? It’s really up to you and your ability to live with some risk – but there are some ways to minimize that risk.

One: Take another look at the site’s return policies. If it states “As Is” merchandise can be returned if it’s non-functional, that reduces a huge worry – paying hundreds of dollars or more for something that doesn’t work.

Two: Think about what might possibly be wrong with the item, and the possible cost of repairing it. You might be able to risk the cost of repairing a camera that doesn’t work – or even the cost of tossing it away. But can you afford to do the same with a 42-inch TV or a personal computer?

Three: Determine what’s important to you. If functionality is what counts, and appearance doesn’t – you’re probably safe. If appearance matters more (for example, if it’s a piece of furniture), you may want to pass on this deal. (Although, if you’ve saved \$500 on a sofa, and it costs \$100 to fix it – you’re still way ahead, aren’t you?)





Buyer profile:

She's saving gas, too

Tracey is a Kentucky housewife with two children who never goes to the store anymore, except for clothing and groceries.

“Everything else – electronics, furniture, sports equipment, you name it – we buy online from www.nobetterdeal.com. Last month I bought a 47” LCD TV for \$667. I did my research – the same TV sold at electronics stores for \$1,300. I’ve bought lots of ‘as is’ merchandise, and except for an Mp3 player that came with no headphones, it’s all been like new. We buy birthday gifts, Christmas gifts, everything there now. Why wouldn’t you – especially today?”

Working the Web – advice from the experts.

Success in the secondary market – finding **the best possible deals** – takes hard work and lots of patience. We asked some very smart shoppers – long-time buyers in the secondary market – to offer advice on how to work the Web for maximum savings.



Ada: "Once you find sites you like and trust, visit them frequently – at least 2-3 times per week. You never know what they'll have to offer. Liquidation and overstock wholesalers carry what becomes available through retailers. One week, it might be large-screen TVs, the next week laptop computers, and a week later talking teddy bears. If you're shopping for a specific item, or at least an item in a defined category (a boom box, a camera, an entertainment unit), you need to visit frequently and monitor the sites until such an item appears. And then you need to act quickly – few people may know about these sites now, but that doesn't mean a real bargain won't be snapped up and gone in a flash."



Jim: "Do your research. Look at the flyers in your Sunday paper, and be aware of the retail price for the product you're hoping to find. That way, you'll know instantly if a real bargain appears, or if a deal isn't really a deal."



Sandy: "Being a bargain hunter is all about changing the way you look at the world. You have to ask yourself, 'Why should I pay more when I don't have to?' One way to get some emotional support and some great ideas is to follow some of the bargain hunting blogs, like BargainBabe.com and BargainShopperLady.com. Once you get the right mindset, you begin to realize how much money you've wasted in the past – and in today's economy, none of us can waste a cent."

eBay and the secondary market.

Most of the advice in this e-Book is for average consumers looking to save as much money as possible. But there is another category of shopper who can benefit spectacularly from secondary market web sites – the eBay reseller.

You can become your own discount reseller simply by buying items at the deep discounts available through liquidation and overstock wholesalers, and then reselling them (still at a dramatic savings) on eBay. People have been buying from wholesalers and reselling on eBay for years, but only those who could afford to buy large lots, such as pallet quantities. Now, you can start small and resell in smaller quantities, even one at a time, if you want to get your feet wet slowly.

So, buying in the secondary market can not only save you money – it can allow you to start your own business and generate additional income, too!

Buyer profile:

Cruising into better deals

David lives in the Detroit, Michigan area, but he has built a flourishing small business, with customers around the country, buying secondary market products online and reselling on eBay.

“I’ve been at it for three or four years,” he says, “starting out on eBay, then educating myself about the wholesale auction and resale sites. I buy consumer electronics almost exclusively – mainly digital video cameras, but other products, too.”

David says you have to do a lot of research to determine what sites you can trust. He buys most of his goods from GENCO Marketplace, which operates both business-to-business and direct-to-consumer web sites that feature deeply discounted secondary product.

“If you’re buying in greater volumes like me, you can be comfortable with the risk of buying ‘As Is’ merchandise,” he says. “I recently resold 200 of one particular product, and had only one that wasn’t in a condition for resale. Even with the high volume I buy, I rarely find a lemon!”

Why shouldn't you save?

One more reminder: **Why should you be shopping on the secondary market sites?**

- The lowest price.
- The lowest price.
- The lowest price.

Unless you're rich, you need to stretch your buying power these days. The next page gives you a list of some reputable online sites operated by secondary market resellers. Check them out, and test the waters.

After you buy your first product and it arrives at your doorstep, take the receipt to a store where they offer the same product.

Look at the price tag on the shelf.

Then look at your receipt.

Then smile.



Web sites that sell secondary market goods to consumers.

Many web sites offer discount prices on new products. Many offer secondary market products to businesses that buy in bulk. Only a handful offer secondary market products **directly to the consumer**.

Here are several you can check out:

NoBetterDeal.com

RefurbDepot.com

Overstock.com

Woot.com

TechLiquidators.com

About the author.



Bob Auray is president and CEO of GENCO Marketplace, America's largest wholesale liquidator of retail store returns and closeout merchandise. Bob's career spans the worlds of inventory management, logistics, finance, and information technology services. His vision for GENCO Marketplace is to create the premier marketplace for buyers and sellers of secondary inventory. Prior to joining GENCO Marketplace, Bob served as president and CEO of USCO Logistics (acquired by Kuehne + Nagel in 2001), a provider of integrated logistics solutions. Bob is a cum laude graduate of Princeton University and has earned both a Masters Degree in Accounting and Masters in Business Administration in Accounting and Finance from New York University. Contact Bob at auray@genco.com.

Check out GENCO's web site for B2B liquidation – www.gencomarketplace.com – and its bargain shopping site for consumers – www.NoBetterDeal.com.