

# The Waterfall Approach to Excess Inventory

## BACKGROUND – IMPROVE RECOVERY AND VELOCITY

Countless companies struggle with efficiently reselling and remarketing excess inventory (overstock, refurbished, returned etc.). Today, many organizations still liquidate goods by manually selling them on the secondary market.

**With low margins and huge time investments this ineffective approach to dealing with excess inventory is costing organizations billions of dollars every year.**

Market leaders are changing this by using the waterfall approach to excess inventory. With this approach, goods are liquidated through an automated product flow in different B2C and B2B channels (storefront and/or auction) with different product combinations (individual SKU, truckload or pallet).

*Learn more about B2C and B2B auctions at [www.commercedynamics.com](http://www.commercedynamics.com)*

**The waterfall approach is helping organizations achieve higher recovery values and optimal turnover rates for excess inventory.**

## Flowing through the Waterfall:

Unsold excess inventory flows through different levels until everything is liquidated. (e.g Unsold from B2C storefront is moved to B2C auctions, then B2B storefront etc.)

- 1) Branded B2C storefront with individual SKUs
- 2) Branded B2C auctions with individual SKUs
- 3) Branded B2B storefront with truckload and pallet
- 4) Branded B2B auctions with truckload and pallet
- 5) Amazon and/or eBay marketplaces (or other existing marketplaces)



# DYNAMIC *INSIGHT*

Items that sell in the first two levels of the waterfall will have higher margins and final selling prices due to the nature of B2C sales. Once they are bundled and sold through B2B storefront and auction, margins will lower slightly but turnover rates dramatically increase.

**Selling in B2C and B2B channels with the waterfall approach creates a formidable mix of high margins and fast turnover rates.**

## Creating the Waterfall - Requirements for Successful Execution:

The waterfall approach requires enterprise level storefront and auction technology that can deliver on crucial requirements.

## CENTRALIZED MULTI-CHANNEL SELLING

The eCommerce platform used for the waterfall approach must allow supply chain managers to easily allocate inventory from one venue to another. (e.g branded B2B auction site to Amazon). Being able to shift goods from venue to venue on one single console will allow logistics managers to easily control and automate product flow.

**This means the platform should have full integrations with platforms and marketplaces like Magento, Commerce Cloud, Shopify, eBay, Amazon etc.**

## INFRASTRUCTURE AND BANDWIDTH

**The waterfall approach works best with cloud-based infrastructures like Amazon Web Services. (AWS)** This is because the approach requires a flexible infrastructure and substantial amounts of bandwidth to respond to the regular growths in user base and surges in traffic that B2B and B2C auctions encounter.

Cloud-based infrastructures allow B2B and B2C storefronts/auctions to scale quickly to program needs when increases in user base and surges in traffic occur. **Without a cloud infrastructure, potential infrastructure and bandwidth issues may arise.**



# DYNAMIC *INSIGHT*

## SECURITY

**Security is an integral aspect of the waterfall approach.** Enterprise B2C and B2B auction sites capture credit card information and must undergo a yearly Payment Card Industry (PCI) audit. (VISA, MasterCard, and AMEX created and maintain the auditing processes that encompass PCI compliance.)

The platform being used for this approach must be PCI level 1 compliant to ensure that user information is safe from any potential threats. Many auction and storefront technology platforms will only have PCI acceptance, which is not the same as complete compliance, meaning that user information is not truly safe.

**The technology being used for the waterfall approach must be PCI level 1 compliant.**

## MONEY FLOW (I.E. PAYMENT GATEWAY AND MERCHANT ACCOUNTS)

**Though this isn't necessarily a requirement, money flow is an important concept to consider when using the waterfall approach.** Cash flow will vary when selling on branded storefront/auction sites vs. leveraging an existing third-party market place.

**Branded Auction Sites or Storefront** - By setting up your own payment gateway and merchant account, all funds will flow into that account from all sales on the Auction site

**Leverage a third party, existing marketplace such as Amazon, eBay etc.** - Third party auction marketplaces have their own distinct methods of handling money flow and processing. Some process funds for Sellers and some require separate merchant accounts.

Looking to learn more about the waterfall approach? **Speak with an expert.**

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