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Asset Remarketing:
A Whole New Way of Thinking

Cost–effectively disposing of off-lease assets while maximizing returns is a key issue for leasing companies today, especially for those dealing with technology items with short effective lifespans. Not only do off-lease assets take up space, tie up capital, and negatively affect your company's bottom line, but disposing of them can be a significant cost component of your business.

BY ASAD HAROON

The lease is over. You've got the equipment back. Now begins the phase that can mean the difference between a profitable lease and an unprofitable one: remarketing. Cost-effectively disposing of off-lease assets while maximizing returns is a thus a very key issue for leasing companies today, especially for those dealing with technology items with short effective lifespans.

Not only do off-lease assets take up space, tie up capital, and negatively affect your company's bottom line, but disposing of them can be a significant cost component of your business. While traditional asset remarketing options all have advantages and disadvantages, they have one thing in common: They all demand management time and significant resource commitment to be executed successfully. Thus, they all can cause your company headaches and provide distractions from your core business. Furthermore, most of these solutions are not designed to handle the complexity of most leasing companies' asset remarketing needs.

FIGURE 2: The True Costs of Off-Lease Assets

Opportunity Cost	Until off-lease assets are converted into cash that is reinvested, they have zero value, yet they take management time and provide distraction from the organization's mission
+ Poor Space Utilization	Off-lease assets take up space on shelves and in warehouses, crowding out productive, revenue-generating activity
+ Tracking Expense	Costs used to track off-lease assets could be better utilized in revenue-generating activities
+ Maintenance Costs	Some off-lease assets must be maintained to keep them in good operating condition
+ Insurance Costs	Off-lease assets must be insured against damage and destruction
+ Higher Taxes	Off-lease assets may increase the company's property tax base
+ Depreciation Expense	Off-lease assets may depreciate more rapidly than other assets, necessitating real-time solutions
= Lower ROA	All these costs resulting in a low ROA (Return On Assets), a key financial measure that reflects a company's performance. A low ROA index reveals inefficiencies and can affect a company's stock price. As off-lease assets are converted into cash, liquidity ratios improve.

Leasing Companies Need a Full-Service Solution

Given the complexity of off-lease asset disposition, it's apparent that leasing companies need more than just a way to expose their off-lease inventory to new buyers. They need a full-service solution encompassing all aspects of off-lease asset remarketing.

In the highly fragmented world of off-lease asset remarketing, a full-service solution is not just a new method of disposing of assets. It's a whole new way of thinking about the off-lease asset problem. Rather than viewing off-lease equipment remarketing as a time-consuming, low-return, hassle-filled endeavor, leasing companies can now maximize returns, decrease time to cash, and eliminate organizational distraction by employing a comprehensive service for asset disposition.

A full-service solution combines advanced technology with the high liquidity and global reach represented by a worldwide network of bulk surplus buyers. In addition, a full-service solution provides professional sales planning, intelligent merchandising, and effective marketing services that not only accelerate but also effectively manage all aspects of off-lease asset sales. Plus your service provider must be able to begin planning your remarketing program with you before the lease terminates to be prepared to swing into action as quickly as possible at lease end.

A key component of a full-service solution is a bulk online auction-based marketplace. While there are online auction alternatives that may seem toprovide an appropriate solution, in reality most online solutions are limited in their effectiveness because they provide neither the full suite of remarketing services leasing companies require nor a sufficient number of professional buyers to ensure maximum return. Most online alternatives

FIGURE 1: Cost vs. Return for Various Remarketing Solutions

	COST OF USAGE	RECOVERY RETURNS	OPPORTUNITY COST
Full Service Solutions Using Auction	Low	High	Low
Traditional Auctioneers	High	Low	High
Liquidators	Low	Low	High

do not provide sales, marketing, merchandising, fulfillment, payment collection, dispute mediation and logistics. Thus leasing companies must deal with these tasks that take time and money.

FIGURE 3: Comparing Remarketing Solutions

APPROACH	DESCRIPTION	PROBLEMS
Traditional Liquidator	Negotiated sale to one or more liquidators for cash	Misalignment of incentives and low returns Limited competition Cherry picking of assets Large lot sizes Manual, time consuming process
Traditional Auctioneer	Live, on-site physical auction of assets	One-time in nature Long lead times and high costs Local buyer base Limited to higher value capital assets
B2C Auctions	Sale of individual items to end consumers through retail e-marketplace	Not appropriate for all asset leasing classes Difficulty moving large quantities Limited to higher value items Longer sales cycle and time to cash Customer service and collections requirements Pick, pack and ship requirements

Off-Lease Remarketing: A Universal Challenge

The management and disposition of off-lease assets is an expensive problem, and it's one that's faced by every leasing company. The annual volume of off-lease equipment in the U.S. economy is significant, involving millions of units encompassing all segments of the industry: small ticket, middle market and large ticket. In such a competitive remarketing environment, obtaining the fair market value for these assets – some of which rapidly lose their value as time goes on – is challenging.

Since managing off-lease assets is not typically a core competency of a leasing organization, companies currently dispose of such assets inefficiently. As a result, companies and their stakeholders suffer from:

- Low returns on off-lease asset disposal activities – low per unit prices
- High disposal costs – costs for warehousing, managing, and shipping
- High opportunity costs – inefficiently allocating internal resources to manage the administrative burdens of this non-core issue

The Unique Needs of the Leasing Companies

While surplus assets are a problem for many companies, leasing organizations suffer disproportionately from the costs of managing off-lease assets because they only make money when assets are under lease, or when their residual value has been captured through remarketing. Consequently, leasing companies contend with many critical issues involving off-lease asset disposal, including:

- Handling Large and Fluctuating Volumes of Product
- Sale of Multiple Product Categories and Conditions
- Multiple Points of Contact
- Multiple and Nationwide Locations of Off-Lease Assets
- Centralized Financial Tracking and Reporting Needs
- Regulatory Compliance Needs

Many leasing companies typically do not dedicate significant focus or resources in marketing, technology, or staff to appropriately manage the multitude of complex issues related to remarketing off-lease assets.
It's time to use new technologies and service models to take a new approach to solving the universal challenge posed by off-lease asset remarketing for organizations in the leasing industry.

Comparing Approaches to Asset Remarketing

Leasing organizations have typically used a combination of external methods such as liquidators, auctioneers or B2C auctions for their off-lease asset remarketing solution. However, these methods fail to completely address leasing companies' needs for effective asset disposition, and each poses unique problems for the seller.

Using traditional liquidators rarely represents significant liquidity – a market size sufficient to achieve the best possible price. A leasing company may deal with two or three liquidators who bid within a narrow range, sometimes averaging 3 to 5 cents on the dollar, and rarely recovering the residual value of the equipment for the lessor. In addition, most liquidation houses won't take small lots, resulting in additional warehousing and handling costs.Traditional auction houses are also unappealing because of their focus on one-time sales of assets rather than providing a full-service ongoing solution to companies' off-lease remarketing needs. Traditional auctioneers emphasize physical events that bring together a limited number of buyers in one place to bid at a specific time. Additionally, the associated logistics costs, sales commissions and long lead-times can significantly affect total return on assets.

Using online auctions whose primary audience is consumers, while seeming to promise higher per-item selling prices, actually provides lower returns after all the costs are take in account. These costs include longer time to cash; customer management activities including handling returns and customer queries; logistics hassles involved in picking, packing, and shipping goods; and the opportunity cost of the distraction from the leasing company's main focus. Finally, consumers are not the appropriate customers for all classes of off-lease assets. Managing the sales using online auctions also involves creating a specialized infrastructure which means higher cost and additional distractions.

These traditional surplus liquidation methods fail to address the unique off-lease asset remarketing needs of leasing companies, giving rise instead to problems such as:

- Insufficient liquidity for the sale of large quantities of assets
- Inability to handle multiple products and condition types of assets
- No integration of warehousing and customer fulfillment services
- Brand and distribution channel conflicts
- Lack of centralized management and reporting for multiple divisions and locations
- Limited support for regulatory compliance and reporting

The Complete Solution for Asset Remarketing

By focusing on customer needs, a full-service solution provider can provide a portfolio of services, e-marketplace solutions and supporting technologies to deliver an all-inclusive solution to maximize the net proceeds in the sale of off-lease assets. Full-service solution providers like Liquidation.com have extensive asset disposition experience and focus and can provide clients unique insights and sound strategic advice on off-lease asset remarketing. Hundreds of clients, including leasing companies as well as Fortune 500 companies, large federal agencies, and state agencies, have

Sales and Marketing	Value Added Services	Customer Support
Auction Creation and Activation	Asset Inspection and Verification	Buyer Qualification and Support
Asset Sales Plan Creation	Asset Removal and Warehousing	Online Transaction Tracking
Inventory Management	Asset Description Collection	Reporting and Invoicing
Account Management	Customized Marketing	Logistics and Shipment
Asset Marketing	Outbound Fulfillment	Fund Disbursement
Buyer Outreach	Valuation and Appraisal	Payment Collection
	Merchandise Assets	Dispute Mediation

used similar innovative sales programs on a significant scale to achieve superior value.

A full-service solution provider can completely remove the burden of collecting, storing, preparing, merchandising, tracking, arranging payment and logistics, and reporting on off-lease asset sales.

Where other asset liquidation methods offer only one-dimensional, incomplete solutions, a full-service solution provider can become a strategic extension of your organization that provides everything needed to efficiently dispose of off-lease assets, regardless of quantity, type, condition or locations.

How to Pick the Solution

Here's what to look for in an off-lease asset remarketing service:

Sales and Marketing –
Rather than using your own resources, look for a full-service solution provider that assigns a dedicated sales and merchandising team that:

- Develops an effective asset sales plan which includes an auction plan
- Optimizes sales for maximum return by determining the most effective lot size, offering mix, and market timing
- Professionally manages the inventory, including item descriptions and photos, packaging type, shipping weights and dimensions, and tracks the availability of competitive product and other marketplace conditions
- Works with your marketing team to provide appropriate exposure of your off-lease assets
- Executes the asset sales plan, including fielding buyer questions

Customer Support –
Look for a provider that can manage all aspects of customer support, including:

- Qualifying buyers and handling invoicing, payment collection, dispute mediation, and fund disbursement. The provider's auction terms should stipulate that payment is expected soon after auction close, so your time to cash can be dramatically improved.
- Providing online transaction tracking for buyers and sellers
- Taking control of logistics and shipping, ensuring that only approved transport agents handle goods and dealing with any logistical issues effectively and efficiently. Your provider should handle outbound logistics utilizing everything from UPS for small lot shipping, to less than truckload (LTL) or truckload shipping domestically or internationally. It should also be able to handle any customs processing, duties, or other international logistics issues.
- Handling reporting, including any required regulatory reporting. You want to always know in real time exactly what has sold and where your items stand in the sales and payment cycle.

Value Added Services –
At your option, your full-service solution provider should be able to take total control of your asset problem by offering services such as:

- Removing, collecting, and warehousing your off-lease assets, freeing resources for revenue producing uses.
- Providing asset inspection, de-install, description, verification, valuation and appraisal
- Designing a custom marketing plan to acquire buyers for assets outside the core buyer audience
- Assisting in merchandising your assets by breaking up pallets to mix and match new lots that better meet buyers' needs
- Proving comprehensive centralized reporting tools for large leasing companies to track their activity across multiple divisions, product lines and locations

Here are some benefits to look for in a potential service provider:

Aligned Incentives –
Make sure the provider's services are success-based, which means you don't pay a thing until the asset is sold. This is a key attribute to look for in anoff-lease asset remarketing partner because it ensures that seller and partner incentives are aligned to achieve a successful result.

Liquidity –
Exposing your assets to a global bulk surplus marketplace with a specialized network of bulk surplus buyers translates into quicker cash conversion at higher prices than other remarketing alternatives

One Stop Solution –
Instead of dealing with different liquidators and time-consuming end customers, use a full-service solution provider as a one-stop solution for asset remarketing

Market Transparency –
You want to have insight into any aspect of your asset sales program while maintaining your anonymity

Regulatory Compliance –
A full-service solution provider should understand the regulatory restrictions that may accompany the sale of assets

Hassle Free –
Look for a service provider that can eliminate the need for you to dedicate personnel to the non-core task of disposing of your off-lease assets

Limited Channel Conflicts –
Preserve your anonymity and avoid the diminution of your brand and channels by selling to a professional secondary market channel

Increased Return on Assets –
By marketing your off-lease assets to a broad, competitive online buyer base, you can achieve returns as much as 25 percent to 200 percent higher than traditional remarketing

Faster Time to Cash –
Select a provider who can offer merchandising and lot management services to enable you to get non-performing inventory and idle assets off your books and converted to cash as quickly as possible

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