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[Case Study] Thrift Store Startup: The Businesses Behind Used Goods

In his hit song Thrift Shop, Macklemore proclaims, "I wear your granddad's clothes; I look incredible." And it's true – the part about chic attire (sometimes) excluded. These days, thrift stores do fashionably outfit consumers with goods that come from a variety of sources – your family members included.

However, aside from donations there are many suppliers that actually gather secondhand merchandise in bulk and sell it to thrift store startups. Read on for a detailed look at the businesses behind used goods.

The Situation



Image via [Flickr](#) by Steve Snodgrass

While many secondhand stores do rely on donations to keep new products coming in, like any new company, they must build their stock. Fledgling thrift stores are tasked with building a used goods inventory. This presents an opportunity for potential suppliers, and businesses have sprung up to meet the demand.

Once the initial demand for inventory is met, according to [US News](#), "Thrift stores don't put in regular orders or carry standard merchandise. What's available depends on what has been brought in most recently."

The Approach



Image via [Flickr](#) by epSos.de

In the same way secondhand consumers must sift through trash to find treasure, so must thrift store buyers. It's common for used apparel suppliers to sell goods by weight rather than individual product value. For buyers, this often results in a sort of reverse "princess and the pea" scenario. Any purchaser could be sitting on a shipment of something special and not even know it.

A variety of wholesale clothing suppliers, [many based in China](#), sell online – often from reseller sites like Alibaba and Amazon. These bulk product containers are comprised of goods that come from a variety of original sources. Some secondhand wholesale suppliers purchase apparel from traditional retail closeout sales, while others purchase excess product from major thrift stores such as Goodwill and The Salvation Army.

Discerning suppliers take care in intermixing multiple brands, clothing styles, and clothing wear in a single wholesale container. For this reason, bulk prices may vary depending on the product specialties of the trader.

Some dealers focus on the sale of only certain items such as jeans or vintage apparel, while others sell an assortment. Since pop culture musicians and fashion designers alike have made vintage apparel stylish, there's a competitive market for niche thrift stores and suppliers.

Impact and Advantage



Image via [Flickr](#) by Brad.K

In the long run, these wholesale resellers can offer an excellent foundation for a lucrative future business. With bulk goods available for as low as \$50 to \$200 a bag, brick-and-mortar or online secondhand ventures can build inventory with little upfront overhead.

Investors are taking notice of the trend. In 2012, [The Wall Street Journal](#) reported, "Online kids' consignment store thredUP raised a fresh \$14.5 million, the latest example of investor enthusiasm to scale the thrift-store economy."

Unlike other clothing retailers, thrift store owners never need to worry about designing and production costs. They can rely on an ever-growing collection of discarded trends – and wholesale suppliers reliably take stock in those future styles.

What do you think about the supplier's role in the thrift store economy? Share your thoughts with us.

How to Handle a Recall: What to Learn from GM's PR Pain

Recalls are common, however, cases where products caused loss of life are rare and should be treated carefully. There's no greater PR nightmare than a product that causes death – and [decapitation](#), no less.

One thing's for sure, General Motors Co. (GM) could tell you how not to handle this delicate issue based on its recent global recall of 2.6 million car models implicated in 13 driver deaths. Read on for what to learn from GM's retraction ruins.

Always Heed Warning Signs



Image via [Flickr](#) by ** RCB **

GM engineer accounts from way back in 2001 highlighted many of the issues that are now commonly associated with the company's recalled cars – including important ignition and stalling issues.

What's worse? In the instances where the engineers did heed the warning signs, Band-Aid solutions (instead of recalls) were often applied to fix the problem. Furthermore, many key employees were not properly notified of the found issues, resulting in egregious miscommunications.

How to Get it Right: If you absolutely can't afford to recall a product that you're not 100 percent certain is faulty, then at least communicate warning signs to front-line employees. Service and support providers should know about potential complications if only to alert management to continued defects.

Act Immediately



Image via [Flickr](#) by leesean

GM's ordeal probably wouldn't have incited as much outrage if the company wasn't so slow to respond. Since warning signs existed as early as 2001 and continued to surface until 2013, the company had plenty of time to make a move for recall.

In fact, it wasn't until 2013 that the company began to consider recalling vehicles from 2007. Not only does this express GM's neglect for public safety, but it shows potential disregard for [highway safety laws](#).

How to Get it Right: If a product doesn't seem right, it probably isn't. However nervous you may be about losing thousands or even millions over a recall, remember this: bad PR and lawsuits can result in double the damages – especially for small businesses.

Apologize the Right Way



Image via [Flickr](#) by ell brown

Yes, there is a right way and a (horribly) wrong way to express regret, and yes, you may want to speak to your lawyer first; however, make sure you don't rehearse cold, legal terms from some pre-approved document.

In the case of GM's recall, the company's CEO Mary Barra might as well have said: I'm sorry you feel that way. To many, the apology came across more like a defensive company testimonial rather than honest condolences for the actual families affected by the various auto tragedies. [In an interview](#), Barra said, "We will hold ourselves accountable and improve our processes so our customers do not experience this again."

How to Get it Right: Whatever the reason for your recall, do add warmth to your incident statements, and acknowledge the actual people (not "customers") who were impacted by the faulty product.

Merchandise, especially automobiles, can become a part of a lifestyle. Address exactly how your product fits into your patrons' routines and exactly what they lost when the item failed. This will help your customers align more positively with the mistake and begin to accept it.

Has your company ever gone through the recall process? What was the biggest challenge? Share your stories with us.

[Case Study] Brilliant Earth: One Company's Quest for Conflict-Free Jewelry

The 2006 film *Blood Diamond* shed light on conflict gems mined in warzones. Often these diamonds bring death to the diggers – some of whom are children. Many of these rocks are later used in jewelry sold throughout the world. With consumers being more informed about products than ever — thanks to the Internet — a shine for cruelty-free products is on the horizon. In response, companies such as Brilliant Earth base business around conflict-free diamonds and other stones.

Read on for a detailed look at Brilliant Earth's quest for conflict-free jewelry.

The Situation



Image via [Flickr](#) by Julien Harneis

Brilliant Earth is a company that ethically sources diamonds and other precious gems for its jewelry. From the time it opened up shop, the online retailer was tasked with remaining competitive in the market, while keeping its commitment to a supply chain that's free from violence.

According to [Brilliant Earth](#), "The diamond supply chain is so long and complex that keeping conflict diamonds out of it is a daunting challenge. All along the way, conflict diamonds can enter the flow, much like dirty storm runoff can enter a river at multiple, shifting points."

The company's blog, which is a major part of its approach to its jewelry assembly activism, goes into detail about the Kimberly Process (KP). It's a globally supported certification method that tracks diamonds that come from tumultuous regions and helps ban future trade with these locations when a rebel group takes power.

However, KP isn't foolproof, so Brilliant Earth must overcome this supply chain challenge to stay true to its mission.

The Approach



Image via [Flickr](#) by Kim Alaniz

The jeweler specifies the source of its diamonds directly on its site – unlike other big-brand companies that favor lying by omission. Its website specifies five main sources for its conflict-free gems: Russia, Namibia and Botswana, Canada, lab-made, and vintage varieties.

Brilliant Earth even exposes its original suppliers: Diavik mine in Canada being a top location. Canada and Namibia are frequent supply chain sources since the countries are largely free from war, as well as human rights and environmental issues.

In addition, the company focuses on fair trade, which means it bypasses sometimes corrupt middle-persons to offer its miners a reasonable price for their gems.

Impact and Advantage



Image via [Flickr](#) by stephend9

Through the company's blog and its approach to educating consumers and policymakers, Brilliant Earth has brought attention to an otherwise forgotten issue. The retailer is deeply involved with more reliable mining programs — aside from KP — such as [Fairmined Gold](#) and the [Diamond Development Initiative](#).

Its ties to an ever-growing green movement and cruelty-free products have helped Brilliant Earth receive considerable attention from major media outlets. In fact, this is how the business reaches most of its customers, through media, including activist-oriented content on its site.

Brilliant Earth's actual profits have not been reported publicly; however, the company does make enough to donate five percent of its funds to communities that were adversely affected by the jewelry industry. In this way, the Brilliant Earth is more than just a company – it's a cause.

What's your opinion on Brilliant Earth's approach to conflict-free jewelry? Share your thoughts with us.

How Companies Fight Back Against Counterfeit Goods on eBay

Reputable companies avoid gimmicks at all costs – including counterfeit goods. However, trustworthy businesses that sell on third-party sites might get "knocked off" the market without even trying.

Companies that sell products on third-party sites are vulnerable to fraud via counterfeit competition. Counterfeiters that pose as the original businesses sell seemingly identical products, although the shipped products are vastly different than the item advertised (typically of a lower quality). Consumers are not happy and retailers are trying to fight back.

In the midst of this long-running scandal, new marketplaces with stronger fraud protection are ready for combat. Read on to learn how companies are taking control of counterfeit goods on eBay.

A History of Mix-ups



Image via [Flickr](#) by jeremi

In the past, eBay in particular has been subject to many lawsuits regarding the sale of counterfeit goods by merchants on its site.

What's more alarming is that according to [Market Watch](#), "Mix-ups at Amazon.com Inc.'s warehouses have led to customers receiving counterfeit products — even when they're buying

from a legitimate third-party seller. Experts say eBay Inc. and others have also struggled to stem the rise of counterfeit goods, leaving it up to the consumer to distinguish what's real and what's fake."

Meaning, in certain instances, even reputable sellers are subject to the threat of fake third-party items. Retailers such as L'Oreal and Tiffany and Co. have slammed eBay for its warehouse distribution practices and standards for merchant accounts.

Alibaba and the Case of Counterfeit Goods



Image via [Flickr](#) by Doug Kline

The story of Alibaba – a [China-based online marketplace](#) – versus eBay broke when the company moved to become public. Like eBay, the company was no stranger to the sales of counterfeit goods on its website; however, its reputation was already damaged due in part to the company's location.

Many consumers associate counterfeit goods with China, and the country's negative overtones are not unfounded. In 2013, the country was responsible for almost [93 percent](#) of the world's imitated and infringed products.

Marketplace Makeover

Sites like eBay are appealing to many retailers since they provide an all-in-one platform for selling and, in some cases, distribution. However, ready-made solutions can come at a price – or the cost of control.

To fight counterfeit products on third-party marketplaces, Alibaba instead built a stronger, proprietary army complete with a regulated platform and trusted in-house distribution. The company will become direct competition for Amazon and eBay, and analysts believe the company's stance on counterfeit goods will strengthen its role in the market.

How will the company compete? Addressing issues similar to eBay's warehouse mix-ups, Alibaba will focus on updating and streamlining its warehouse processes. The company will not only improve its own distribution centers, but commit to refurbishing and building structures throughout China.

[Reuters](#) notes, "Improving the logistics of China's warehouses has been prioritized by none other than Alibaba co-founder Jack Ma. Last year, Alibaba announced a plan to lead a consortium to invest \$16 billion in the first phase of building a national logistics business, a unit of Alibaba to be chaired by Ma."

Has your company been caught in the crosshairs of a counterfeit scandal? What was the damage control process? Share your stories with us.

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