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Good deals: At merchandise liquidators, buyers find more for less

HIGHLIGHTS

Everyone loves good deals — and merchandise liquidators make their living by bringing them to consumers. The industry is thriving.

By Celia Ampel and Chabeli Herrera



Even in a recovering economy, the old adage holds true: One man's trash is another man's treasure.

That's essentially the concept behind the liquidation business. When a retailer has ordered more than it can sell, or a company goes out of business, a liquidator steps in to buy the goods and then resells them. Annually, liquidation companies rake in \$127 billion in the United States, according to 2010 research led by Rutgers University.

Consumers often pick up liquidated goods through outlet shops and value stores like T.J. Maxx, Big Lots, Marshalls and Overstock.com. Between the companies disposing of the merchandise and those consumer retailers are liquidators, including several big players based in South Florida. Together, the entire "secondary" market — including eBay, flea markets, Goodwill, national discounters and the liquidators themselves — comprise a \$329.4 billion industry, according to wholesale liquidator Genco Marketplace.

Nationwide, the recession was a boon for liquidators. On the supply side, failed companies left truckloads of inventory with no one to sell it. Meanwhile, once status-conscious consumers turned their focus on their wallets. As a result, large national liquidators saw a steady increase in revenues. For instance, Overstock.com — which sells furniture, home goods, clothing and electronics — grew revenues by \$214 million from 2010 to 2013. Liquidity Services, which resells government and business surplus, nearly doubled its revenues in the same period, an increase of \$233 million.

Those increases come as liquidators are finding new ways to market their steep discounts — often 60 to 80 percent off a product's retail price, said Laurie Barkman, CEO of Genco Marketplace.

"Liquidators that are growing are finding success in direct-to-consumer channels," Barkman said in an email. Companies with large quantities of merchandise from manufacturers are opening up their warehouses to walk-in retail customers, for example.

With its access to international sea and airports, South Florida has quietly become a launching pad for such companies. Among them is Hollywood-based CentralCloseouts.com, which sells small quantities of health and beauty products to retailers overseas that can't afford to buy hundreds of items. And at Miami's Gomez Ossa International, which resells clothing in Central and South America, profits have doubled for several years in a row, company buyer Irene Gomez said.

Davie-based Miami Liquidations sells about half of its inventory overseas — mostly from closeouts, bankruptcies and

estate sales, owner Cesar Roman said. Miami's location is a plus for customers in the Caribbean and South America's east coast, but it's hard to compete with Chinese shipping prices for deliveries to Chile or Ecuador.

Many local liquidation companies have staked out specific areas: Mr. Closeout in Miami focuses on electronics, accessories and cosmetics, while T&L Hotel Furniture Liquidators in Hollywood has zeroed in on hotel renovations as a source of inventory.



Here's a deeper look at South Florida's most prominent liquidation wholesalers: Merchandize Liquidators, named as one of Inc. magazine's fastest-growing U.S. businesses, and AMC Liquidators, which focuses on furniture.

MERCHANDIZE LIQUIDATORS

The Miami Gardens warehouse of wholesaler Merchandize Liquidators is a cardboard jungle gym.

Toffee-colored boxes are stacked to the roof like Legos. Inside are assorted well-known brands of cosmetics — Revlon, CoverGirl, L'Oreal, Maybelline — typically packaged in original, pristine wrapping.

A box of 500 Maybelline powders on the bottom shelf of the warehouse sells to local and overseas flea market vendors, dollar stores and overseas retailers for \$1.25 an item, a fraction of the \$7 drugstore average cost.

At any given time, more than 1 million cosmetics are stored in the warehouse — just a small percentage of the many items Merchandize Liquidators offers.

Two minutes down the road, another Merchandize Liquidators warehouse holds products ranging from plastic pools to microwaves to socks. Clothes spill out of four-foot-tall boxes bulging at the sides.

The resale of this bounty now yields \$10 million in annual revenues and has earned Merchandize a place on the Inc. 5000 list of the country's fastest-growing companies. The liquidation company sells a range of overstock products from department stores — including food, drugstore items, clothing, shoes and home products — to vendors around the world. Customers can buy and review the items in the warehouses or buy online.

Founder Yosef Martin started it in 2003 with only \$375. At the time, he was studying business at Florida International University. He had arrived in the United States from Israel just two years before.

And Martin was watching every dime. Tuition alone was about \$7,000 a semester for three semesters a year, and Martin was living in a one-bedroom condo.

At 26, relying on his parents wasn't an option for him anymore, he said. He wanted to do it on his own, if he could only find a niche and earn his own money. "I wanted to be the one helping them," he said.

A few classmates were in the liquidation business, and he saw his ticket into a buy-and-sell business that could yield long-lasting results.

The key: overstocked items that were slightly damaged and or were being cleared from shelves to make way for new products. He could purchase the products from major retailers and sell them to vendors who worked on platforms like eBay and Amazon, as well as in stores and flea markets overseas.

"A company always has a portion left," he said. "I was looking for something stable that would be consistent all the time." Thanks to his ongoing business relationships, Martin now gets truckloads of goods every week.

His visits to liquidation companies in the early days of the company's development led to one important realization: more and more buyers were looking for liquidators online. His website went up in December 2003, an easy-to-navigate portal for vendors to purchase wholesale items. Using optimization to push it to the top of search engine results, the site now draws thousands of clients. About 80 percent of his client base is in Latin America.

Differentiating Merchandize went further than an online presence.

Unlike many other liquidators, Martin said Merchandize Liquidators buys mixed pallets, or wooden crates of a variety of items, like men's and women's clothing and accessories. He sells the mixed pallets to off-price department stores, which will pay more to get a wide variety of one kind of item.

At first the business grew slowly, with profits going to pay down Martin's growing student debt. By the time he graduated from FIU in 2007, Merchandize Liquidators hit gross revenues of \$600,000. The next year, it grossed \$1.8 million.

Since then, revenue has only escalated, going from \$2.2 million in 2010 to \$5.4 million in 2011, about \$8 million in 2012, \$9 million in 2013 and a projected \$10 million in 2014. The business has 17 employees.

But Merchandize hasn't been immune to challenges. In 2009 sales stalled. Martin had been so focused on online promotion, he said, that he ignored the fundamentals that would grow his business.

In December of that year a historic rain flooded his warehouse. "When I walked in, everything was underwater," Martin said. Only 30 percent of his merchandise could be salvaged. Worse: He had no insurance.

"It put me in more focus when I walked in and I saw what happened," he said. "I said that will only get me stronger because it's not going to kill me."

In the end, the damaged products were sold online via an eBay store to individual buyers for higher prices than Martin expected, showing him the value of his products.

He began to pursue big contracts, securing deals with major retailers to multiply revenue and prestige. Calls to a major retailer, whose name Martin declined to reveal due to confidentiality contracts, finally led him to develop an exclusive contract. From there, the doors opened, fostering relationships and getting his name known among other retailers. Martin also began cultivating mom-and-pop shops and discount chains as customers.

The recession gave his business a boost as well. As other firms failed, Merchandize was able to scoop up goods at rock-bottom prices. Martin started selling everyday items that clients would buy even in hard times. "Regardless of the recession, a girl is still going to be able to afford a lipstick," he said.

Marcelo Lima, a Brazilian seller who comes in twice a week to buy items from Merchandize Liquidators' large variety of clothing, beauty products, shoes, handbags and food, said he has been going to Merchandize for a year. The prices are fair, he said, and "sometimes I can find products that are difficult to find at other places."

Merchandize Liquidators' wide selection of make-up, including discontinued colors that are still popular, are a major draw for Lima and the many other clients who go into the warehouse searching for hard-to-find shades.

Other liquidators will also defer to Merchandize when customers come looking for rare items or to buy in bulk. He has forged relationships with other liquidators who sometimes come to him for his variety.

David Solomon, CEO of Closeout World in Davie, which offers a variety of items but in limited quantities, said he will often call Martin when customers come in requesting large numbers of cosmetics, for example, a product he doesn't stock as extensively.

“If we need something in my company that we can’t get a hold of, we’ll basically pick it up from their warehouse,” Solomon said.

Over the years, the two businesses have developed a friendly relationship working together to fulfill customers’ needs.

“The way that he works with his customers and the way that he provides the merchandise is in a very clean way,” Solomon said of Martin. “He acts like a regular guy that works at the company, helps everybody out and becomes everyone’s friend.”

Martin said he expects the business to balloon to \$50 million in the next five years, along with an expansion into a bigger Miami warehouse from the two current locations in Miami Gardens.

“I like to look back sometimes and be comfortable with my achievements,” Martin said. “I think that anyone that has a particular business and is driven is not going to look back too long, is always looking forward and moving forward to a better future.”

AMC LIQUIDATORS

Like dollar stores and discount barbers, furniture liquidators profit from recessions. When the economy went south, AMC Liquidators’ Tamarac store was chock-full of office chairs and desks from downsized companies.

A healthier economy could have spelled doomsday for the company, as fewer shuttered offices meant a smaller furniture supply. Instead, AMC Liquidators made a quick shift from office to hotel furniture. Hotels that put off renovations in hard times are now kicking old furnishings out the door, and AMC is snapping them up. As a result, the company is growing.

The company’s CEO, Michael Grimmé, said he knows of no other liquidator that has the same strategy: offices in bad times, hotels in good ones. The 20-employee enterprise also keeps dozens of temporary workers on hand to clean and refurbish furniture.

“It allows me to keep our staff employed and regulate the cash flow a little bit,” Grimmé said.

AMC Liquidators sells about half its stock to walk-in retail customers at the Tamarac store and the other half goes all over the world to hotels, offices and resellers. Grimmé said the company has customers in 44 countries.

Grimmé entered the liquidation business almost by accident. The New Jersey native, a former oil trader with degrees in business and in mechanical and aerospace engineering, moved from London to Fort Lauderdale in 1996 and started to operate hotels in the area.

While looking for ways to cost-effectively spruce up the hotel rooms, Grimmé came upon a group of roving liquidators and decided to start a similar company, but with infrastructure in one place.

“I saw right from the start the international potential of the business,” he said.

Then 9/11 hit, “and all of a sudden, the hotels were empty,” Grimmé said. “No one was traveling.”

Grimmé heard that a Bank of America branch was changing buildings, and out of his own pocket he bought 47 tractor-trailer loads of the bank’s furniture. He resold the furniture to Fort Lauderdale law firms, real estate offices and other small businesses. From there, AMC became an office furniture liquidator.

Today, the company is buying 15,000 to 20,000 hotel rooms of furniture a year, Grimmé said. AMC also moves three to four tractor loads of office furniture a month.

AMC just added a non-liquidation arm to its business: a mattress store on its five-acre property at 3705 W. Commercial Blvd. in Tamarac. The mattresses are new and come from Florida manufacturers. AMC sells them to individual customers and in bulk to hotels, assisted living facilities and rehabilitation centers.

In the next year or so, Grimmé plans to start reselling patio furniture from states outside Florida, where the outdoor decor is often damaged by the elements.

The company has bought inventory from nearly 40 hotels, big-name offices such as Time Warner/AOL and Merrill Lynch, plus a handful of furniture retailers and country clubs. In a corner of the Tamarac property equipped with sewing machines and power-washing tools, employees clean, refinish and reupholster furniture till it looks like new.

Acquiring merchandise has gotten easier as AMC has built up a reputation over its 14 years in business, Grimmé said. The company’s structure gives it significant advantages in landing large loads: Where other liquidators rent, AMC has

its own warehouse space, two tractors and 10 trailers.

Hotels typically renovate every five to seven years, and management often changes in that time, making relationship-building difficult. To stay in touch, AMC Liquidators restores furniture for hotels between renovations, and Grimmé volunteers with local hotel associations.

To track inventory, AMC has turned to cloud-computing software and “fanatical communication” among staff members. “It allows us to be totally mobile,” Grimmé said.

The company’s biggest challenge is locating buyers.

“Typically, the idea is, ‘He who has inventory dies,’ ” Grimmé said. Most competing liquidators are smaller than AMC; it’s risky to pile up merchandise you might not be able to sell.

Some items, such as hotel art, are especially hard to turn.

“If someone doesn’t like that landscape and we have 300 of them, it’s a challenge to move that inventory,” Grimmé said.

It helps that Grimmé has a knack for quickly lining up buyers, said Andreas Ioannou, part of the ownership group of Conrad Fort Lauderdale Beach Residences. The Conrad was supposed to open as a Trump condo-hotel, and when plans fell through, owners sold 290 rooms of furnishings to AMC Liquidators.

“When [Grimmé] takes furniture from a hotel that is doing renovations, he sources smaller hotels; he will sell [the furniture] pretty much right away,” Ioannou said. “He has the connections, he has the network and he has the business acumen to move inventory fast.”

Grimmé has also become an aggressive and creative marketer. He has appeared on the Travel Channel’s *Hotel Impossible* twice and donates furniture to hotels to raise the company’s profile.

International buyers, particularly in Latin America, are starting to find AMC online. By networking with exporters, freight forwarders and organizations such as Enterprise Florida, Grimmé hopes he can achieve nothing short of world domination.

“Our goal is to be the No. 1 furniture recyclers in the world,” he said.



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