

## The 3 Keys to Clear Out Old Inventory

*Written by Cathy Donovan Wagner of Retail Mavens*

### 1. There's no crying in retail.

Every once in a while, you may find that you made a mistake in your buying. Maybe you reordered one too many times. Perhaps you ordered something in multiple colors and one was just plain ugly!

It happens.

You can't become emotionally attached to your inventory. I was working with a client, Susie, who was in a co-dependent situation with a \$40 vase for 14 years. She actually said, "Sales never work for me. They just don't work. I find I have to put it down way too much and I lose all my profit and that just kills me. You really just have to wait until that perfect person comes through the door."

What was really killing her was the deadbeat vase took up space on her sale floor. It was hurting her cash flow and not paying a dime of rent.

### 2. If you build it, they will come.

There are two best times of the year to have your cash-flow boosting, super clear-it-out clearance sale. One is right after Christmas and the other time is during summer sidewalk sale days. If your area doesn't have a sidewalk sale, then I encourage you to create your own!

These times are critical because you're maximizing on the fact people are shopping for bargains. The bottom feeders are out. We love our bottom feeders because they get rid of some of this inventory for us. Take advantage of that time to get rid of the inventory. They're out there looking. Build it, and they will come.

### 3. Divide and conquer.

First, you must divide your excess inventory into good, bad and ugly. One client, Tina, told me, "Oh, Cathy. None of my inventory is good. It's really much more like bad, worse, and worse!"

Some of the merchandise you have in your store should be marked down to 75% off right now. It's ugly and has been around too long. There are not many things that you're going to take to 75% off, but there are a few things. Be honest with yourself, mark them down, and move them out.

Then you're going to have some inventory that's bad. For example, it may be one of those collections that came with six pieces, and you only sold one or two of them. Maybe some of those things need to go to 50% off right away. Again, there will just be a few things. You know exactly what they are.



*With over 29 years of experience in retail as both an owner and a consultant, Cathy Donovan Wagner has the unique position of having worked on both sides of the counter. She has seen firsthand the tremendous benefits that the paying attention to your numbers makes. It is what helped her to grow to 3 stores grossing in excess of 2.5 million dollars. She sold her stores to be able to help other retailers achieve the same success. Cathy's forthcoming book ON SALE: How Retailers Ignore Their Numbers and Give Their Store Away will be available soon. Reprinted with permission.*

The majority of the inventory that you're marking down is good. It just didn't move for whatever reason and sometimes you just can't explain it. Lose the attachment to the inventory, and instead be thrilled about the money you are going to be bringing in. Those items get a 25% off markdown.

Next you conquer.

This is the part where you maximize your profits! We call it taking progressive markdowns. You start your Semi-Annual Clearance Sale dividing things up into good, bad and ugly. You make a big banner with the right name. You decorate your front window. You market it. You train your staff.

Start your Killer Clearance Sale where everything is 25%, 50% and 75% off. Two weeks later we progressively take the next markdown. So everything that was 25% moves to 50% off. Everything that's 50% off moves to 75% off. When you advertise, you say, "Our Semi-Annual Clearance Sale is continuing – Up to 75% off! Most things are 50% off now." You'll have another rush, not anywhere near as the first day, but you'll still have another big rush. Then wait two more weeks.

Four weeks from the day that your Semi-Annual Clearance Sale started, everything goes to its lowest markdown. Items that were 50% go to 75%; items that were 25% go to 50%. If it's during the summer, you want it to coincide with your community's sidewalk sale. This is when you advertise this is the last call, and these are the final markdowns.

Create focus and urgency about moving these items out. Twice a year for about five weeks, you're going to be really hyper-focused about moving old inventory out of your store and prepping your pockets for that cash-flow!



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