

## Three Reasons Why You Need High Margin Items In Your Store

*Written by Karalynn Sprouse, Executive Vice President of Emerald Expositions and a Retail Merchandise & Sourcing Expert*

When you look at the core of any retail business, it comes down to what is being sold. The price points of inventory help separate one store from another, and the markup on items sold in every retail store are what make or break the success of each unique retailer. This said, however, having the right markup vs. the wrong markup on inventory is what helps to keep stores alive, afloat and in business. Too often, however, merchants think low-priced items with high margins aren't good for business. This myth is far from true... fortunately.

Many retailers who rely on high margin inventory find greater success and stronger sales when sourcing products for their stores that have high mark-ups. To help understand how this works and more specifically, how this could work for your business, consider the three reasons identified below.

### **Reason #1: Lowering your wholesale price can help increase your retail price**

The retail margin – also known as the gross margin – measures the relationship between the costs you pay and the price you charge your customers. By buying items priced at a lower wholesale price point, you can markup your retail price by more than average. In other words, a bracelet bought for \$1 at wholesale could be sold for anywhere from \$10 to \$20 – or even more – at retail. However, that same bracelet bought at \$5 would still be expected to sell for \$10 to \$20, based on the customer expectation.

### **Reason #2: Where you source your inventory can actually help you make more money**

As much as you want to believe all vendors are “equal,” the truth is that many vendors know that one trade show vs. another trade show demands different prices. If you source your inventory from trade shows that are known for selling with the intent of high margin markup – such as ASD Market Week – you can feel more confident in your buying decisions. Additionally, you will be introduced to vendors you may not have discovered at other trade shows. Collectively, this delivers a strong reason for you to consider where you source your inventory as a major factor in your retail profit success.

### **Reason #3: The market dictates market value... but you dictate what you'll pay for this**

Whether you cater to traveling professionals on-the-go or tweens looking to score the latest must-have fashion find, you can appreciate that a “must have” item will help create sales in your store. This said, consider what you pay for your items versus what the perception is of what they are worth. If wooden accent sunglasses become the latest must-have accessory in your neck of the woods, wouldn't you want to get them at the most affordable price possible – then sell them for twice as much as you originally intended? I like to call it the “umbrella effect.” If it's raining, a customer is willing to pay an incredible markup on an umbrella just to stay dry and to simply have immediate access to an umbrella. This theory (minus the staying dry part) works for nearly any item. Need and perception combined can be a powerful tool when marking up your items!

Finally, consider what your main goal is of running your business. Is it to plan clearance sales again and again to get rid of unwanted inventory, or is it to run a profitable business as easily as possible? If making money is your goal, buying high margin items needs to top your to-do-list. It really can be that simple.