



# Profit Accelerator Tool

## Lowering prices to get rid of unwanted stock

### *Introduction*

The ideas and suggestions in this document position it under the heading of “**Inventory control**” — the notion that there comes a time when some of your stock will become out-of-date or redundant, and it is time to get rid of it. This is not the same as the very common promotional **SALE**, which contains many more concepts and techniques than the mere quitting of unwanted inventory.

Some part of your inventory always becomes old and hard to shift. There will come a time when you need to stock later versions of a product, and its previous versions become obsolete. You may have taken part in a promotion organised by your suppliers and the promotion has ended, leaving items unsold. Less often, you may have decided to make a change in store direction.

The commonest way of getting rid of unwanted stock is to reduce its price. Every retailer faces the unpleasant prospect of discounting — sometimes heavily — to move products out of the store, and this document proposes methods you can use to do this with as little pain as possible.

**The numbers we use below are merely suggestions, and you will need to make your own judgements about the discounting and life span of obsolete stock to suit your retail operation.**

### *Who decides?*

Decisions taken to cut prices on selected stock lines should be taken at the most senior level. Generally this means the owner, the store manager (or, say, the Retail Manager, if there is one) are charged with the responsibilities involved.

But it is up to you.

The aim **always** is to sell the redundant or deleted lines as quickly and as profitably as possible.

### **Non-standard lines**

By this term we mean products that have been ordered from a vendor specifically for a promotion, but which do not normally appear in the range of merchandise you sell.

(Such products are almost always sold at discounted prices. The promotion is organised by a wholesaler, franchisor or vendor — who will sometimes ask for a contribution from you towards the costs — and typically a promotion runs for a fairly short time.)

If, as is very likely, there is stock left over at the end of a promotion, the following processes to quit it, should be considered.

- **Move it** to a secondary promotional point in the store, such as rear-facing gondola ends, or displayed in base bins alongside its category

*(Note: If display space permits, or there is not another promotion about to start, the stock can stay in its primary promotional location.)*

- Consider promoting the stock for (say) an extra 4 weeks at the promotional price and **make it jump out at the customer** by using a “Value” Temporary Price Reduction (TPR) shelf ticket.
- Stock that remains at the end of this extra 4-week period, goes into the “Quit Cycle”. See below.

### **Deleted lines**

These are products (and even whole categories) that have been deleted from inventory. The impetus to make such deletions can come from your Merchandise Team (or its equivalent, if you have one); the wholesaler or manufacturer; or indeed management of your store.

**Retailers who do not have the support of a head office structure**, rarely do whole range reviews.

More often than not, deleted products are nominated by vendors or wholesalers.

Astute independent retailers will of course spot poorly performing products. (Sometimes the product is only performing badly because its location or price is wrong. It is worth checking very carefully that deleting the product is the right thing to do.)

**If you are part of a chain or franchise** that conducts formal category reviews, the process for deletion is typically:

- Every time there is a change of product or category, you will be given a new plan-o-gram showing the revised range you must carry. (Sometimes the quantity of stock to be carried is specified.)
- You will be told which stock will be credited by the vendor and what you have to do to quit it and claim a credit.
- Your Point Of Sale system must be updated to delete the obsolete products and recognise the new ones.

- Deleted lines that are not being credited by your vendors will move into the “Quit Cycle.” See below. (You start this as soon as the new category plan-o-gram and range have been set up. Allow, say, a maximum of two weeks after you receive a new category plan-o-gram.)

For those retailers who are not part of a brand, **chain, marketing program or franchise**, the process is typically more ad hoc, but can follow a broadly similar process.

## **The 8-week “Quit Cycle”**

The “Quit Cycle” follows the introductory methods of getting rid of unwanted stock that are described above.

It is recommended you use the methods set out below for both “non-standard” and “deleted” lines.

*Remember, by the time you reach this stage of the quitting process, you have often already displayed the unwanted non-standard stock as a “value” item on your shelves, or in a secondary promotional location. Or both.*

**Remember too, that the figures used in the examples below are no more than suggestions. Your own experience and judgement needs to be used.**

### **Phase 1**

- Reduce a deleted product’s standard retail price by 30% for **up to 4 weeks**.
- Example: \$15.99 reduced by 30% becomes \$11.20: Save \$4.79. (Don’t forget to update the Point of Sale system with the new price!)
- Change the price ticket to **both** a new shelf edge label and a “Value” TPR shelf ticket. The “Value” shelf ticket should carry the following information:

*The product’s name. (Make sure this is **exactly** the same as any promotional material telling the public about the price reductions.)*

*The previous retail price — \$15.99*

*The new retail price — \$11.20*

*The saving — \$4.79*

### **Phase 2**

- If stock remains unsold at the end of the first 4 weeks cycle, **reduce the retail price by a further 30%**.
- Example: \$11.20 reduced by 30% becomes \$7.85: Save \$3.35
- The reduced retail price must be updated in the Store Point of Sale system.
- Change the price ticket to both a new shelf edge label and a **new** “Value” TPR shelf ticket. The “Value” shelf ticket should carry the following information:

*The product's name. (Make sure this is **exactly** the same as any promotional material telling the public about the price reductions.)*

*The previous retail price — \$11.20*

*The new retail price — \$7.85*

*The saving — \$3.35*

### **Phase 3**

If after eight weeks any unwanted stock remains, **get rid of it!**

Some suggestions:

- Move it into a \$2.00 bin.
- Consider making a “free gift offer”.
- If none of that works, consider giving it away to a charity.
- Or, in the last resort, **take it to the dump!**

You might wonder why we are suggesting you get rid of stock at the end of this process. It is simple, if you retain products that do not sell, you are making very hard for yourself and slowly suffocating the business. Consider these three things:

1. For a start by not purchasing the product, consumers have effectively told you that they don't want it.
2. Keeping products consumers do not want prevents you keeping products they do want.
3. Finally, you have money sitting on the shelf not generating cash.

At the most basic level, the essence of retail is getting stock into the store, putting a margin on it and getting rid of the stock as quickly as possible. Don't let stock get stuck on shelves as it slows this most basic retail process.

**Want to know more? At Zumo Retail our consultants can help develop management processes and strategies for your business. For more information contact: [info@zumoretail.com](mailto:info@zumoretail.com)**