

Delays Costly when Dealing with the Dead

One of the most bewildering and frustrating habits of retailers is their reluctance to rid their stores of dead products, ranges and categories.

If a product has had no sales for 90 successive days it is dead. Let's face it - the chance of it selling any time in the next 90 days is virtually nil and it should be removed from the shelves to make way for better performing stock.

There is no crime in making some buying mistakes. In fact if buyers never make any mistakes they're probably not taking enough risks. But too many retail managers allow dead products to go on costing their store by refusing to take prompt action when products cross beyond the 90 day period without sales.

It may be hard to believe that 25% of many retailers' product range is dead. This is typically 1000's of retail products! Valuable shelf space and staff housekeeping time is being wasted on products that are making no contribution to customer satisfaction, sales or profits. What's even worse is the opportunity cost. Think what could be achieved if the same investment of shelf space and resources was made in good selling stock!

The only sensible course of action is the removal of dead products from the shop to be held for a future clearance sale. At the time of removal stock-on-hand quantities must be zeroed in your computer records so that the value of the dead products has effectively been "written off". Any income from a clearance sale is then a bonus and it should be recorded as a sundry sale so that it does not trigger computer re-ordering of the dead items.

Fashion retailers are accustomed to taking drastic action to clear end-of-season stock, but many specialty retailers seem to live in hope that some yet-to-be-seen demand will breathe new life into a poor selling range. Too often staff become emotionally involved in the stock selection process and allow their personal likes to influence their decisions, rather than relying on the evidence of sales data.

This problem is worsened when the retailer does not have a clear idea which categories of merchandise it is trying to be "famous for". A lack of focus about what their store stands for allows buyers to continually extend the product range offered, rather than sticking to a carefully chosen core range of best performing products in key categories.

The end result of indiscriminate buying and failure to purge dead stock is easy to see. The store becomes constipated with hundreds or thousands of slow moving products making the shop crowded, confusing and difficult to shop. These stores continually struggle for shelf space and tend to look like a general store rather than a place where quality specialty products and advice are provided.

Its not spring – but starting a clean up of your retail stock now will provide a breath of fresh air that is sure to translate into a more profitable business long term.