

Features

11/1/2024

5 Ways to Fix Merchandise Mistakes

Sid Raisch

Merchandise mistakes can be invisible. Just because you don't see the problem doesn't mean it's not there. For example, if you sell just enough to match your revenue goals, you might still be losing sales from running out of stock. Retail is about selling enough to cover your operating costs, wages and profit—timid buying leads to stagnation, and ultimately, a downward spiral as customers look elsewhere.

This article focuses on merchandise that lingers in your store—evidence of a buying mistake—and how to get rid of it quickly and intelligently. My goal is for you to take action, not just read for entertainment.

Start by picking up a piece of excess stock. Let's make this real as we work through the following steps using your item as an example.

Diagnosing the Mistake

To solve a problem, you need to understand it. Ask yourself:

Issue 1: Is the price wrong? A product that doesn't sell might be priced too low, signaling low perceived value. Oddly, raising the price can sometimes boost sales by increasing the perceived value.

Issue 2: Is it in the wrong location? If customers can't see it, they won't buy it. Try relocating the product to a high-visibility area. Yes, you have to move it around to move it out.

Issue 3: Is the presentation wrong? Products displayed as decorations often get ignored. Like a buffet, your merchandise should be plentiful and clearly featured. If someone has to scrape the bottom of the pan they're not going to believe it is fresh and healthy. Ensure the presentation is well-lit and properly signed.

If none of these issues fit the situation, they are a symptom of deeper and bigger underlying problems. Start with these steps.

Avoid Overbuying

The best way to avoid having too much stock is not to buy it in the first place. Many retailers buy without clear goals,



leading to excess inventory.

Here's a better approach:

- Set a goal based on the previous year's sales. If you sold \$100,000 of something last season and want a 10% increase, plan to buy enough stock to hit that target. Subtract your starting inventory and what's already on order, and then buy 10–20% less than the remainder if you can reorder as needed to sell everything you can without running out.
- Don't wing it—buy with a purpose. Keep your buying in line with your goals and adjust as necessary.

Deep Dive

How and why was the mistake made? It typically falls into one of three categories:

- Wrong product for your market.
- Wrong quantity.
- Wrong timing.

Is it right for YOUR market? Beyond the physical placement in your store, make sure you understand your store's format and concept. If you're not clear on these, you'll continue making "wrong for the market" mistakes.

Manage Inventory Levels

When buying products you've sold before, rely on your data. Your POS system can provide sales history to guide your orders. Here are two strategies:

- If you can easily reorder in-season, start big enough but not too big, and replenish as needed.
- If reorders are uncertain, order what you believe you'll sell for the entire season upfront. Track sales early, and adjust your prices, placement and other levers if the product isn't moving as you expected.

Start the season early. Many independent retailers make the mistake of selling seasonal products too late. I always say, "The key to having a great season is having a long season." Start early, give customers a reason to shop with you, and avoid running out before the season ends.

The BIG GLITCH—Test New Products Carefully

Testing new products by ordering small amounts may seem like a safe approach, but it doesn't give you enough information. Test for customer interest, but not for market potential. Once you can understand the potential for selling a product, you can understand how to order it. Research how similar retailers have performed with the product before making a decision. If there's no track record, it might not be the right product for you—yet.

Clean Up on Aisle "All of Them"

Now let's talk about clearing out excess stock intelligently. Here's the structure for ridding your store of mistakes without losing your shirt.

1. Pay the bills—Make sure your profitable products cover the cost of your mistakes. The goal is to minimize losses on excess inventory while staying in the black overall.
2. Speed is essential—The longer you hold on to unsold stock, the more expensive it becomes. Your first markdown is your best chance to recover some margin. Act quickly to avoid deeper losses.
3. Prioritize loyal customers—Reward your regular customers with first access to clearance and closeouts, not the

bargain hunters who only show up for discounts. Separate your lists so you can notify them later.

What You've Been Waiting For

Now, the five simple steps to get rid of merchandise mistakes as intelligently as possible that you've been waiting for:

Step 1: Start Strong—Ten percent off is not compelling to almost any customer except for basics they know they'll buy at full price anyway. To even be taken seriously by most customers the first markdown will need to get their attention by recalibrating well below the perceived value. Typically it is going to require 20% or more off an item your customers are not showing an interest in as a first markdown to get the customer to even look at it again.

Step 2: Create Urgency—A sign with the words, "While they last..." can inspire customers to buy now, rather than wait and miss out.

Step 3: Bulk Up—Use an incentive to buy more and save more in clearance and closeout. When customers can buy more and save more they do precisely that. Put it on a sign.

Step 4: Bundle Up Remnants—When you've sold down to the few of each item grab bags, pallet price and other yard-sale pricing techniques can be effective to clear out to the cobwebs. Or you can donate the remainder to a good cause, or take donations for the items with the proceeds to be given to a good cause. Finally, your cost of getting rid of the stuff is greater than what you're getting for it, so hit the dumpster.

Step 5: Repeat—Because mistakes are a part of the process, you'll be doing this time and again, but now with a greater understanding and appreciation, and possibly fewer mistakes from doing what you didn't know you were doing wrong.

Merchandise mistakes are inevitable, but they don't have to be costly. By acting quickly and strategically, you can turn excess inventory into a learning experience—and potentially even a profitable one. **GP**

Sid Raisch is a consultant to garden retailers. He has developed the Advantage Development System to help garden centers grow the marketing, operations, pricing and merchandise management of their companies. Sid is affiliated with The Garden Center Group. He can be reached by text or cell at (937) 302-0423 or sid@horticulturaladvantage.com.