Minimizing Dead Stock:
Strategies for Smart Inventory Planning

For retailers, dead stock refers to inventory that has low turnover or is no longer selling. It takes up valuable storage space and ties up capital that could be used more effectively. Developing strategies to minimize dead stock should be a priority for retail buyers and store managers. It is very important to turn the trash into cash because in retail, cash flow is everything. With careful analysis and planning, dead stock can be reduced through smarter purchasing decisions, optimized markdowns, and an omnichannel view of inventory.

Understand Sales Trends and Patterns

A data-driven approach is key to making appropriate buys and minimizing dead stock. Analyzing past sales data, trends, and seasonal patterns allows buyers to predict future demand more accurately. Look at bestselling items, sales by color/size/style, and peak selling periods. Match inventory to periods of higher demand, and buy conservatively for slower seasons. Avoid over-purchasing fad items and be cautious of new products without proven sales history.

Utilize Stock Turnover Metrics

Stock turnover measures how many times inventory is sold over a period of time. Higher turnover indicates inventory is selling quickly, while low turnover could signal dead stock. By category, style, vendor or other metrics, calculate typical turnover rates. Make purchases from vendors and categories with better turnover, and buy cautiously from slower sellers. Lower inventory for perpetually slow-sellers each season to avoid building up dead stock.

Implement a Markdown Optimization Plan

To clear slow sellers and reduce leftover inventory, strategic markdowns are essential. Create a markdown optimization plan that gradually lowers prices on poor performing items to spur sales. This allows you to sell through more stock at reasonable margins versus resorting to deep, profit-damaging discounts. Optimize open-to-buy to account for planned markdowns and avoid overstocking.

Take an Omnichannel View of Inventory

With centralized inventory management, buyers can get a comprehensive view of stock levels across all sales channels - online, stores, catalog, etc. This omnichannel perspective allows you to see total product demand and make better purchasing decisions. Transfer stock between channels when too much inventory builds up in one location. Ship online orders from store stock and utilize stores to fulfill web orders to minimize overall dead stock.

Collaborate Cross-Functionally

Work closely with department leads to understand challenges impacting sales. Provide store staff with reports highlighting slow-sellers by department and solicit insights on issues like poor product quality or sizing. Collaborate with marketing on campaigns to promote slow-moving items. Touch base with online teams to align web merchandising with excess store stock to sell through inventory.

Review Vendor Terms

Renegotiate payment and inventory management terms with vendors to improve inventory turnover and minimize the risk of getting stuck with dead stock. Negotiate more flexible purchase quantities, extended payment terms, and the ability to return a percentage of orders. Require vendors to manage and replenish stock, allowing you to return unsold inventory.

Right-Size Inventory Buys

Avoid the temptation to overbuy items expected to perform well. While chasing sales, excessive quantities create a glut once demand drops. Analyze sales velocities, turnover, and weeks of supply to purchase appropriate quantities. Buying too deep into trend cycles or overestimating demand will lead to dead stock when trends shift quickly. Place small initial buys of new items and let reorders be informed by sales.

Conclusion

Inventory management presents an ongoing balancing act for retailers. While they need adequate stock to meet sales demand, excess purchases result in dead stock that saps resources. Savvy buying backed by sales data analysis, turnover metrics, omni-channel inventory visibility, and cross-functional collaboration allows retailers to right-size and optimize inventory. Implementing strategies to minimize dead stock improves profitability through higher turns, fewer markdowns, and investment into the most productive stock.

About the Author:

Elias Amash, President of GRIP, is an industry veteran with more than 30 years of experience in global sourcing, manufacturing, distribution, retail merchandising, fulfillment, marketing, technology, and operations. He is a trusted partner to hundreds of retailers and has "leveled up" the industry with GRIP's undying commitment to offering only the highest levels of service to its customers. Amash has published several books: 8 Skills That Pay Off Forever, The Top 10 Most Important Lessons, The Retail Advantage: How to Win the War with Amazon, Retail Survival: Who Lives, Who Dies and Why, The 50 Most Important Lessons in Life, The Future of Retail, Importing from China: The Good, The Bad, and The Ugly, and 101 Bright Ideas: Winning Tactics to Increase Retail Sales.

About GRIP:

GRIP was incorporated by Charles Amash in 1980 and has grown into one of the nation's top suppliers of innovative products to the retail industry. Located just south of Grand Rapids, Michigan, GRIP features a 200,000 sq ft state of the art warehouse facility including a 2,000 sq ft product showroom. GRIP carries a product line of over 1,000 specialty tools, tarps, automotive, cargo control, cleaning, LED lighting, magnetics, outdoors, household items, impulse and general merchandise. GRIP has a proven track record of excellence in supplying retail clients with innovative products, timely fulfillment, and world-class customer support. At GRIP, everything is about earning your business...one customer at a time. It's about building relationships and fostering business partnerships that will last long into the future. Our goal is to have Customers for Life. The future at GRIP is exciting and we're hoping that you can be a part of it as one of our many Customers for Life.

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Check out our Company Website: https://www.gripontools.com/

GRIP Online Catalog: https://gripontools.dcatalog.com/v/Grip-Catalog-2023/

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