

Store security: is your money walking out the door?

MODEL

Retailer

APRIL 2008

RESOURCES FOR SU



PIPER J3 CUB COMPARO, PAGES 24 AND 25



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YOUR TAKE ON STORE SECURITY

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Everything must go!

Sometimes products don't sell. When it happens, it's better to mark 'em down, move 'em out and improve your cash flow

BY HARMONY TENNEY

We've all seen them — clearance racks where stores mark down items to move them out. But is putting a product on clearance good business? Aren't you just losing money if you sell something for less than what you paid for it? Maybe, but there are good reasons to put items in your store on clearance.

Clearance clarified

Clearance is a way for your store to keep its profitability up! If done correctly, clearance can be your method of choice for greater cash flow.

In essence, you mark down items so that they're more attractive to your customers and bargain hunters. At the same time, you're able to free up valuable shelf space for more in-demand items, and by turning over inventory, you raise the probability that customers come back and check in often to see what's new.

What should you put on clearance?

It's very important that you know what you have in your store and how long it's been there. Also, take into account what the product looks like.

People are trained from day one not to take the last cookie, candy bar or piece of pizza, and this can be seen in a customer's shopping behavior. If there are only one or two items left and you are not ordering more, it's best to mark these items "clearance" and get them out to make room for new stock.

Additionally, if there are items in your store that haven't sold for several months, you should consider putting these on clearance too. It's possible that similar items that differ slightly in color or design may sell very differently. Maybe you saw 1:48 F-16s flying off the shelf and bought 1:72 F-16s, but they just won't move. Consider putting these non-sellers on clearance as well.

Sometimes, a better solution to putting an item on clearance is to market it more effectively in your store. It would serve you well to check into why an item hasn't been selling. Often, demand goes hand in hand with what customers do with a product. For instance, having photo-etch parts on a rack by themselves at one end of your model aisle may not be conducive to sales. Grouping items that work together in the same place takes the guesswork out of a purchase. It's for this very reason that grocery stores will stock sauerkraut near the corned beef and tortillas by the salsa.

Try creating displays where many of the ancillary items that will be used with a particular kit or activity are also within sight.

The right price

How much should you mark an item down? There is no hard and fast rule. Try 25-30% first. If you don't see it move in a day or two (or by the Monday of the following week), ask the next three customers about the item. If you don't get good feedback, there's probably little chance

that it will sell on its own. At that point, it might be better to give the product away as a bonus or donate it to a local club or charity.

One of my favorite places to shop is my local pet store. The owner there has her own strategy for clearance. She marks up the items and then marks them down. I wouldn't have caught it, except that I'm a very frequent shopper.

This works off of the idea that a shopper makes a purchase because of a great discount rather than the selling price. You can use this method on some items, but I would not recommend using it across the board. You run the risk of potentially angry shoppers (if they catch on) and products that still won't sell, no matter how big the discount looks.

How much is it really worth?

Often, retailers find it very hard to part with an item they've laid out cash for. But remember, that is only part of the picture. By having an item or group of items in your store that has not sold, it has reduced

LET THEM JUDGE THAT BOOK BY ITS COVER!

Making an attractive clearance area is imperative to shoppers wanting to spend time there. Here are six things you can do to make your clearance area a destination for customers:

- 1** Don't offer junk on clearance. That's not what it's for.
- 2** If there are a number of small items, organize them in little bins.
- 3** Price stickers should show the bargain in easy-to-understand terms. For instance, "All items for 50% off!"

4 Go over your clearance area twice a day to straighten and organize it. If there is a bin with only one item in it, move that item to another bin and change the price if you have to.

5 Be creative. Your clearance area should attract attention. Use some colors, maybe paper ribbons, flags or streamers to dress it up a bit.

6 Have signage that can be seen from every direction of approach. It should clearly state that the area is for clearance items.

your ability to stock items that might have sold. Recoup your wholesale cost, if you can, but don't get hung up on what you're getting. Rather, focus on what you'll put in the non-seller's place.

Again, this is where knowing your customers comes in real handy. Perhaps you have a customer who loves to build and display dollhouse furniture and you have two shadowboxes that just haven't moved. Call that customer and let her know you've got an item that made you think of them. "Mary, I have two shadowboxes left and I need the shelf space. Next time you're in, how about I sell them to you for 45% off?" If she declines, then maybe you can give them to her free with her next purchase, or offer them to the next hobbyist who comes in and purchases dollhouse supplies.

Front and center or back and froth!

There should be a specific place in your store where clearance items are placed. Wherever you put that place, make sure there is signage in your store to sufficiently support it.

The best places for clearance are either front and center by the entrance (everyone sees it immediately upon entry and while approaching the register), or in the back of the store, where people have to walk past everything, going deep into your store, working up a big drool in anticipation of finding those markdowns! You might try both placements to see which moves the most merchandise for you. You can also change it up a couple of times each year to keep the store looking fresh.

Turn, turn, turn

Many people have not studied inventory management, nor do they ever wish to do so. However, the basic concept is pretty simple: make sure you sell out all the items in your store as many times a year as possible. Certain items will have a lower number of turns, while others will have to be reordered more frequently.

Take a moment to look at what you're reordering over and over and what you've perhaps never reordered. Look at the numbers every three months and consider what it would mean to your bottom line if you carried more items with better turns. For one, it could mean putting fewer items on clearance.

Go through your store aisle by aisle. Carefully consider what it is you're carrying and how often you're moving it out the door.



What should not be put on clearance?

Clearance is to help you move new items that for one reason or another haven't sold so you can replace them with new items that have a better potential for sales.

Too often, hobby retailers wait and wait before marking an item down, or only clearance old kits whose packages are sun-faded or water-damaged. Please resist this urge! If you think a pair of R/C tires or a book with a bent cover is still valuable, ask one of your customers who you think would be interested if they'd like to purchase it at a discount. Let them know you can't sell it for full price and that you thought they might have a use for it.

And while it may be unthinkable, there comes a point when an item simply will not sell. Maybe a kit's been opened and there's no way of knowing how many pieces have been lost. Or a package of epoxy has been on the rack for far longer than you or any employee can remember. Don't be afraid to throw something in the trash when it's so old you couldn't give it away in a yard sale. ▣

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