

MARK

DOWN

BEST PRACTICES

Your inventory is your store's largest asset, but it could end up being your worst expense. No seller likes to markdown full-price products. But the reality is, your inventory only has a 60-90 day shelf-life, meaning if you don't turn your inventory in that 3 month period, it's probably costing you money.

Smart retailers know that markdowns are a necessary part of running a business and keeping your cash flow in the positive. New to markdowns? Consider following this 12 week process for turning inventory at full-price and using markdowns for the leftovers.



Want to continue making money on your inventory that doesn't always fly off the shelf? Check out our best practices for marking down your inventory!

BEST PRACTICES

MARKDOWN IN SEASON

Keep in mind the idea that products only have a 60-90 day shelf life in your store, just about as long as each season of the year. Customers don't want to buy winter gear when it's starting to warm up. Rather, they want to buy the products they can get use of immediately.

If products aren't selling at full-price and the season is dwindling down, it's time to start marking down products. Customers will feel like they are really getting a deal on something they can use right then, rather than something they won't be able to use until next year. And when customers buy products, even marked down products, they put more cash back in your pocket!

MARKDOWN AT LEAST 20%

When it comes to sales, numbers talk. A customer is always more willing to pull the trigger on a purchase when the mark-down is higher. If you start at 10% and work your way up, you may end up hanging on to the item too long and miss out on a chance for a sale.

Consider starting at 20% and make bigger jumps to the mark-down that can move the item quicker and still make money.

LIMIT SALES

If your store has a sale once a month, your customers lose incentive to come in and pay full-price for items. Try to stick to full store sales only once or twice a year. Semi-annual events you can promote will get customers into your store without creating the illusion that your products are always on sale.

Limiting sales doesn't mean you can't still host promotions for your clients. Just be sure that promotions you send out offer a discount on just one item or a small percentage.

HAVE A CLEARANCE SECTION

Part of marking down items is finding the best spot to store them. If you don't have a section of the store dedicated to clearance items, you might confuse your customers. Make sure you designate an area of your store strictly to clearance items rather than mixing marked down items in with your full-price merchandise.

The best clearance areas will:

- Have clear signage to direct customers to sale items
- Be located in the back of the store so clients have to walk by all the new items

CONSIDER PRICE POINT TABLES

For inventory that you really want to get off the shelves, consider a price point table. You can mark the table to be 'all items on this table \$10'. You might have items on the table marked down by 20% or by 50%, but the idea is it makes the purchasing decision easier for your customers. Rather than them trying to do the math themselves, they'll see a nice round number, and at \$10, they'll feel they are really getting a deal!

Use the price point table for merchandise that seems to be in its last leg of life. Try marketing the item down on your clearance rack, and if it still hasn't sold in 2-3 weeks, mark it down again and move it to your table. This ensures you won't end up with out of season items that you won't be able to sell.

THE RIGHT TIME FOR MARKDOWNS

Because every store is different and shelf-life might not be the same on all products, it's hard to have a one size fits all markdown timeline. The timeline we laid out earlier will work with most products, but sometimes you'll find yourself questioning if you should mark down certain items.

Markdown your merchandise if it:

- Lacks matching sizes
- Is down to one color
- Is the last one or two

Sometimes it's best to markdown merchandise even before it's met its shelf-life. This way you can make room for new merchandise that will sell at full-price.

KNOW WHEN TO DONATE

Are you holding onto inventory that's over a year old? It's got to go. Inventory that has sat in your store for a year or more without selling isn't going to make you money, it's just taking up space that could be holding more profitable merchandise.

Offer it up to your regular customers as an added bonus to a purchase or consider donating it. Business who donate to charitable organizations may be eligible for a tax benefit each year. Visit the **SBA** to see if your donations qualify.

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