



The Distribution Team

We wrote THE BOOK on Distribution Inventory Management

Liquidating Dead Inventory – The Clearance Event

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Getting rid of dead inventory is one of those challenges that continues to plague so many of my clients. They don't seem to be able to get their arms around the best identification method. I happen to like the death by a certain date of inactivity method. For most distributors, zero sales in 12 months is a great starting point. Unfortunately, some folks tend to form an emotional bond with the deceased. This is why we can sometimes find items that have not sold in 36, 48 and 60 months still taking up precious real estate in our facilities. At least with the plant guys, who I recently worked with, dead stock really dies. There is no debate when the evergreens turn brown.

In my last article, I talked about creating bundles of product to help facilitate moving the dead inventory out the door. If you missed this discussion, just visit the article archives section of my website. The basic premise is to pair dead inventory with a complimentary live item. Sell and promote the bundle to your customer base. In short order, your dead inventory will go out the door. This is a very effective method and most of our clients have had success with this form of liquidation. Done properly, bundling product can be the cornerstone for another vehicle of liquidation – the clearance event.

Many distributors have tried to put together an event. Some will call it a warehouse sale, a yard sale or an inventory reduction sale. No matter how you label it, careful planning will determine the success of the sale. Know what you want to accomplish, set a goal and work your plan. Start with the what, then move on the who and finally decide on the when.

What should we sell at this event? Many distributors who have had poor results failed to make the sale attractive. Have you ever walked by a garage sale and the goods looked like they were destined for the dumpster? Only the hearty shopper would wade in looking for a deal. The same is true for the distributor clearance sale. Don't just put out your dead stock and expect to start a brushfire of excitement. Sure, you will find those guys who love to sift through the trash for a nugget of gold; but get ready for the haggling. When you put together the sale, look for those combinations of product your customers might truly be interested in. I like to feature those bundles right up front. I also like to enlist supplier help on some of the complimentary products. I'm not asking for a free ride here, but rather a special deal to help facilitate dead inventory liquidation.

I was a power tool distributor in a previous life. We often ran into dead stock issues with the accessories that went with some of the more popular tools. In order to facilitate the movement of these products at clearance events, I would request a special buy on one of

my most popular items. For example, if I knew that I needed to get rid of a bunch of abrasive cutting blades, I would make a special buy on the saws designed to accommodate these blades. This bundle was the nucleus of all event advertising campaigns. I would usually look for a dozen highlighted packages for an event. Promoting the right type of products is the key to getting folks in the door.

Sometimes you have a bunch of products that really don't match up well with anything in your current inventory. These were the things your president saw at a trade show and "knew" we could sell. You know who you are. I have seen the grab bag method work well in this regard. In distribution, we need to think big. Introducing the "grab pallet". Make a heck of a deal on these bundles. Never break up the pallet. If they want one item, they buy the whole lot. They get a little good, a little bad and little scrap yard fodder. It's all part of the experience.

Suppliers can play an additional role in the event – entertainment. One of my largest suppliers was a heavy NASCAR sponsor. They had invested in state of the art trailers designed to showcase their racing involvement and expose end users to their breadth of product. Most of the time, these promotional vehicles are sitting idle. Arrange to have one at your event. Talk about creating a buzz. Let other suppliers set up product tables around the yard. You have now transformed your junk sale into a new product trade show.

Serve up the food. Nothing brings in shoppers like free food during the lunch hour. Spring for the jumbo dogs on this one. Again, have the suppliers help fund the meal. In fact, let them man the grill for a turn or two. In order to prevent folks from just coming in for the free dog, make them talk to a few suppliers. I have seen distributors use a stamp card method. In order to get their free lunch, the customer needs to go to each booth for a stamp. The suppliers will be much more willing to open up their wallets if they get exposure.

Advertising is critical. Start pushing the sale at least 30 days in advance. If you have an outside sales force, get flyers in their hand. Add flyers to every outgoing order in the warehouse. Arm your delivery drivers with flyers. The inside sales folks should remind customers every time they call in. Your sale should never be a secret. I am a huge fan of email marketing. Send emails to every qualified buyer in your customer database. Those of you on my newsletter list may consider me the king of spam; but it is so darn efficient. If anyone asks, tell them you are engaging in "green" marketing practices.

Frequency is another key to success. The every Friday clearance sale may lose its luster after a few months. Putting on a large event is a difficult task. I think you should shoot for something between 2 and 4 events annually. Seasonal sales work well. Mix it up a bit. I have seen distributors put together pancake breakfast events during the winter months. I know distributors who put on an Oktoberfest event; and yes, they serve beer. A little more liability than I would want to carry, but they seem to have fun. Let your creativity be your guide.

Don't get discouraged if your first event is less than stellar. You may not get the right mix of visitors. Don't give up! It usually takes 2 or 3 events to achieve the results you are looking for. This is a great time to come face to face with your customer base. Most importantly, have fun and count your winnings at the end of the day. Good luck.

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