



The Distribution Team

We wrote THE BOOK on Distribution Inventory Management

Liquidating Dead Inventory – Bundling Products

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Dead inventory is one of the most difficult challenges we face as wholesale distributors. No matter how much time we spend trying to convert those captive dollars into spendable cash, we just seem to accumulate more. One of the more popular questions I run up against is how to get rid of dead stock. It doesn't matter what subject I am speaking on, be it cycle counting or warehouse layout, everyone just wants to know how to get rid of the former darlings of the shelves. Over the next couple of months, I will dedicate a series of articles to the best ideas I have run across for liquidating dead inventory. So stay tuned. You never know which method will be the golden arrow in your quiver.

One of the best ways to move a substantial amount of bad product is to bundle it with good product. This is also referred to as kitting. The idea is to find a complimentary product that can be bundled with your dead item to make a new package. It is important to look for items that sell consistently. For example, let's say that you have a bunch of small grinding wheels that you are looking to liquidate. Perhaps you changed vendor lines. Better yet, the manufacturer decided to make a new and improved version. Regardless of the reason, you are stuck with an excess of product that is no one is calling for any longer.

In order to move the old wheels, match them with the appropriate grinder and create a bundle. Small grinders are typically fast selling and this should prove to be a successful match. Set a price that makes the new package attractive and push the deal out to your customer base. The beauty of this liquidation method is that you are also stimulating sales in your attractive products. Talk about win – win. By the way, this can also be a great learning exercise for your newer people. Give them the task of looking for bundling candidates. It will teach them to look at the complimentary relationship between your products. Perhaps they can learn to say, "Would you like to add fries or a drink with that order?"

Another type of bundle involves selling multiple units for the price of a lesser quantity. In this example, you might sell two items for the price of one. I have a client in the police apparel business who found himself stuck with an obsolete jacket. In fact, he had several of these jackets to be liquidated. He found that if he used the BOGO (buy one, get one) strategy, he was able to liquidate his inventory in short order. Did he get all his cost out of the dead items? Nope. He recognized that freeing up 70 to 80 cents on the dollar to invest in faster moving products was a prudent financial move. I couldn't agree more.

Using the multiple unit strategy comes in several forms. Think in terms of moving larger quantities. Buy 9, get one free. How about trying the baker's dozen – buy 13 for the price of 12. A friend of mine, David Baker, used to play on his name when putting out these deals. He would go out there and call it the “David Baker's Dozen”. How many of you, or the sales people in your organization, are blessed with this last name? Creativity counts.

Once you create your deal, the next step is to inform the customer base. Now this may seem silly, but the packages won't just sell themselves. You must advertize. I happen to like starting with a more targeted approach. Do a little research in your customer database. Find out who bought these products in the past. Make sure they get a copy of the deal. Don't limit your search to the folks that bought the dead item. Look at those customers who regularly buy the good side of the bundle. Look at trade types or customer segments that would logically buy the items in the question. Dangle the hook and see if they bite. Just reminding them that they have bought this in the past will yield tremendous results. If you have done your homework and created an attractive package, your campaign will be successful.

The amount of dead inventory you liquidate has a direct correlation to the amount of effort you put into the selling campaign. You will also dramatically improve your success by hitting multiple targets. Many of you may use the single sheet flyer method of promotion. If you rely on your outside sales people to be the sole distribution method, you will be disappointed. This is not an affront to productivity of sales people; it is based on simple numbers. Sales people can only see 10 to 15 customers on the average day. It will take them a week to distribute any real number of flyers. You can improve your distribution numbers by adding flyers at the sales counters. In my past distribution life, I had reasonable success stapling them to the packing slip when shipping orders. Why not arm your delivery drivers with a stack of flyers? Interesting thought – using your drivers as a sales arm. Let me ask you a question. Who sees more customers in a single day, your outside sales person or your driver?

Email is an often overlooked method of reaching our customers. Some of us think it may be too invasive for our business. From personal experience, email is the most cost effective method of sales promotion, hands down. You just can't find more bang for your buck. If you have not explored an email marketing strategy for your business, just do it. I have a friend who built his entire distribution business through email relationships. He has no outside sales force, no counter and a very good relationship with common carriers. Let's just say that his revenue per head far exceeds the norm for his vertical market.

Start simple. Cultivate your email list. Most distribution software packages have a place to put an email address in the customer contact record. Unfortunately, many of them only have room for one name. We typically populate this with the accounts payable address. I suggest that you use an external contact manager to create your database. Now go get those names. We want everyone who has the ability to buy or the ability to

influence the buying decision. Run a contest every month for the next 3 months. See who can bring in the most qualified customer email addresses. Make the prize meaningful. Think Alec Baldwin in the classic sales movie Glengarry Glen Ross.

When you are creating an effective email campaign, don't just send out your dead stock list. Make sure that there is something of substance. Talk about something in the industry. Include something about the community you serve. More importantly, use it as a promotional tool for the live product as well. When your manufacturer comes out with a new product or innovation, blast it out to your email group. When a manufacturer promotion hits, get it out to your customer base. Disseminating sales information through the use of your sales people is just too slow. Imagine hitting all your potential customers the day after a new product is launched. What is first to market worth?

The main objective when liquidating inventory is to make it attractive enough to sell. Take the time to create packages your customers can't resist. Don't always think price. Look at the overall value of your bundled package. Once you create your deal, don't keep it a secret. Liquidating inventory is a contact sport. The more customers you contact, the more successful you will be. Good luck.

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