

## When Inventory Doesn't Sell

Written by Steve Marr  
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Most businesses that sell merchandise will end up with inventory. When inventory turns over quickly, we have a good investment. However, when inventory sits on a shelf for many years; it drains the business instead of building it.

Inventory that sits around is an expense in two critical ways.

- First, the merchandise takes up space that could be allocated to products that do sell and generate profit.
- Second, sitting merchandise ties up funds which could be deployed for other purposes.

Granted we all like to get full price for a product, but there's a reason that large retail establishments put items on sale. I noticed one store marking prices down up to 80%. Then, the business probably discarded what was not sold at the huge discount to make room for new product.

In the past I did a project for an organization operating several secondhand resale stores stocked with donations. Most of the store managers expected that items would eventually sell so they were reluctant to throw out anything. The result was cluttered stores where customers had a difficult time finding anything.

I asked the store to run a study to learn whether products that didn't sell in 35 days would sell within the next 60 to 90 days. This included furniture, clothing or household items. Some of the products that didn't sell surprised me because I felt someone would buy some of these items, like nice blue jeans. However, the research indicated that if the item didn't move in 35 days, it would sit in the store for an extended time.

I helped the store develop a system of marking down everything after 18 days followed by doing two more markdowns before day 35 when the merchandise would be removed to make room for new product. At the end of the year after implementing the system, sales and profitability of

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these resale stores improved which was counterintuitive to what most of the managers expected.

If you've watched the TV show, *The Profit*, a reality program where Marcus Lemonis invests money in a struggling business to initiate a turnaround; you will see that when Marcus learns that certain inventory is not selling, he discards it. He either throws it out or sells it at large discounts to make room for the products that do sell.

It reminds me of what John the Baptist said, "The ax is already at the root of the trees, and every tree that does not produce good fruit will be cut down and thrown into the fire." (Matthew 3:10, NIV) Most business owners hate to get rid of inventory at a sale price or worse, throw it out or donate it to charity. However, when the true cost of not taking steps to get rid of what's not selling restricts space for product that will sell; you are limiting your profitability. Remember, selling product grows your business. Take the steps to make space for product that sells.