

Title:

Creating Cash Flow with Old Inventory

Word Count:

469

Summary:

Too much inventory ties up critical cash for your business. The key is to find the right price to move your merchandise. Slow moving items take up space and cash that could be used for more profitable items.

Keywords:

cash flow, inventory, small business, retail store, owner, pricing

Article Body:

Being a retail consultant, there is a comment many business owners used. It is "I'm not giving away my inventory". It is most common among store owners that business is in bad shape. It is too bad that most retail owners don't understand about inventory. Inventory does two things. It either makes you money or costs you money.

You need to have sufficient inventory to be profitable. However, having too much inventory is a larger problem than too little inventory.

Too much inventory ties up critical cash for your business. It can also result in more damages to your merchandise. The key is to find the right price to move your merchandise. Slow moving items take up space and cash that could be used for more profitable items.

There are times you have to adjust your pricing strategy. For example, let's assume your retail price is double your cost. In this example, you pay \$10 and it retails for \$20. If it is a slow mover or discontinued item, what should be the new price? I would take 20% off for 1-3 months, 50% off and then 75% off. If you have to sell at 75% off, you will sell below cost. Cost should never be a factored in marking down an item.

I can hear you yelling now. I'm not giving away my inventory. You are looking at your inventory from the wrong perspective. Your product is worth what a customer will pay for it.

Using my example, let's say you sold your product at 75% off. How much did you

make on that item?Your answer most likely was a loss of \$5.This was based on a \$10 cost and \$5 retail. That answer is partially correct. The more correct answer is that you made \$5.

You took an item that was producing zero and turned it into \$5 cash. You can take that cash and space and use it for a profitable item. Many times a business does not have enough cash to buy the needed quantities of the best-selling products. If you take the cash from the poor sellers and use it for good sellers, you will more than make your money- back.

No matter how good a buyer you are, there will be items that don't sell. The key is to realize this and react before it ties up too much cash and profit.

An added benefit of taking care of your problem inventory is increased sales. You will get customers who will shop your store regularly looking for your markdowns. Many of them will buy your high gross items also. If you take care of your problem inventory regularly, your markdowns dollars will be less.

Inventory is critical to your business success. The key is to take action on the slow moving and discontinued. This will make your bottom line better in the long run.