

Stop Handcuffing Your Sales with Old Merchandise

You're the Landlord

Imagine being the landlord of a 30-unit apartment building. Now imagine three of your tenants have not paid their rent in two years, but they continue to promise to pay real soon. Mr. or Mrs. Landlord, are you ready to ask them to leave? They haven't paid rent in two years and are still promising to pay some day. However, you have three other people waiting to rent and are more than willing to pay on time. Would you tell the original three squatters to leave? Of course you would. You wouldn't let three tenants handcuff your potential to recover revenue with promises.

In fact, if you own or manage an independent pharmacy, you are indeed a landlord. Each section (apartment) of your store has to do one or all of three things: attract customers to your store; enhance your image; and/or make you money (my favorite). Since your other apartments (break room, restroom, storage room, and office) do none of the above, then as a landlord, you better make sure that the remaining apartments and their tenants – your products – pay their rent.



The Three Categories of Slow-Moving Product

There are three categories of slow-moving products in your store that are possibly handcuffing your revenue growth: Rx products, OTC, and general merchandise (which includes anything from collectible gifts to Jean Nate perfume).

It is very tough for some of us to call it quits on older general merchandise. I understand; you paid good money for the stuff and you would like to get some sort of return out of the squatter product.

Cost and Effect

Let's analyze the cost and effect of nonmoving general merchandise sitting on your shelf for a year or two:

- No revenue. An empty apartment would offer more hope.
- Taking up space that faster moving merchandise could occupy. In a nut shell, it's handcuffing your potential profit.
- Creating a boring, shopworn look to the store.
- Diminishing the perceived value of the product adjacent to the nonmover – guilty by association. If the item on the left looks old, the product on the right will as well.
- The downward spiral of the item's appeal. The longer it sits there, the more it looks unwanted. Remember, the ugly duckling turns into a swan only in fairy tales.

- Labor costs go up when you continue to work around slow-moving items, especially if it is a seasonal item. That Homer Simpson Christmas tree topper you have pulled out of storage for the last three seasons is not gaining value...ever.
- For the slow mover, the cost of rent, heat, air conditioning, lighting, and flooring maintenance all goes up in smoke – or in this case, dust.

Keeping this in mind, it's fair to say that for every year we cling to a slow-moving item, ***its value drops 20 to 30 percent.***

Unlock the Handcuffs

Here are the steps you need to unlock the handcuffs of slow-moving product. Check out the before and after pictures on the next page for inspiration.

- 1.) **Recognize the lifeless item(s).** *Time frame:* One slow walk around the entire store.
- 2.) **Relocate the item and remerchandise it,** adding a compelling sign. *Time frame:* Two-week trial.
- 3.) **Hold a manager's sale:** "25% off" – don't forget the sign. *Time frame:* Two weeks.
- 4.) **Hold an even bigger sale:** "Save! Big Sale! Now 50% off." Avoid using the word "clearance."
Time frame: Two weeks.
- 5.) **Move it to a dollar section:** If the item typically retails for \$5.00 or less or costs you \$2.00 or less, move it into a dollar section. *Time frame:* two weeks.
- 6.) **OR, move it to the sidewalk:** If the item's retail is over \$5.00 or costs more than \$2.00, move it to a sidewalk sale. Discount the item to 20% below cost. *Time frame:* Three days to one week.
- 7.) **Do not restock.** EVER.
- 8.) **Get rid of leftovers.** Eat it, donate it, or recycle it. Just get rid of it.
Total time frame: Six weeks from the start.

NOTE: If the item in question is older greeting cards, then consider donating them to a nursing home far, far away from your store (but close to a chain store). The only thing that kills greeting card sales faster than an increase in the cost of stamps is a bunch of free cards in your own backyard.

Not sure if an item is worth liquidating? Take the **red sneaker sidewalk test.** Just before closing, take one of the suspect products and leave it outside on the sidewalk. If it is still there the next day, then it wasn't worth stealing. Dump it.

Good merchandisers quickly recognize slow moving items. Great merchandisers give the item (tenant) a brief second chance by remerchandising, signing, and eventually re-pricing – but always in that order.

-- Gabe Trahan, NCPA Senior Director of Store Operations and Marketing

