

A STUDY OF SLOW-SELLING MERCHANDISE IN STILLWATER,
OKLAHOMA, CLOTHING AND APPAREL STORES

By

PHIL GARY HANEL

Bachelor of Science
University of Idaho
Moscow, Idaho
1962

Master of Science
Oklahoma State University
Stillwater, Oklahoma
1966

Submitted to the Faculty of the Graduate School of
the Oklahoma State University
in partial fulfillment of the requirements
for the degree of
MASTER OF BUSINESS ADMINISTRATION
July, 1966


A STUDY OF SLOW-SELLING MERCHANDISE IN STILLWATER,
OKLAHOMA, CLOTHING AND APPAREL STORES

Report Approved:



Report Adviser





Dean of the Graduate College

PREFACE

The purpose of the following report is to find out how retail managers handle the problem of slow-moving merchandise in their stores. A literature analysis was conducted in this area of study. This was followed by a survey of Stillwater, Oklahoma, clothing and wearing apparel stores. For purposes of analysis and presentation the main problem of how to handle slow-sellers was divided into four sub-problems as follows: (1) the cause of slow-sellers; (2) the detection of slow-sellers; (3) the prevention of slow-sellers; and (4) the disposal of slow-sellers. Each is discussed in the preceding order with the main emphasis given to the disposal of slow-selling merchandise.

Grateful acknowledgment is extended to Dr. Jack Wagle, head of the marketing department, for his advice and supervision in the preparation of this report. Special thanks goes to my wife Peggy who not only gave me continuous encouragement through the MBA program, but also typed all the rough drafts of this report. Final thanks goes to Mrs. Sharon McNish who prepared the final copy of this report.

TABLE OF CONTENTS

Chapter	Page
I. INTRODUCTION.	1
The Problem.	2
Method of Study.	3
Sources of Data.	5
Definition of Terms Used	6
II. AN UNSTRUCTURED, PERSONAL INTERVIEW OF STILLWATER STORE MANAGERS.	9
Purpose of the Survey.	9
The Questionnaire and Technique Used	10
III. CAUSES OF SLOW-SELLERS.	16
Retailing, and Clothing and Apparel Stores in General	16
Results of Stillwater Survey	20
IV. DETECTION OF SLOW-SELLERS	24
Retailing, and Clothing and Apparel Stores in General	25
Results of Stillwater Survey	29
V. PREVENTION AGAINST SLOW-SELLERS	34
Retailing, and Clothing and Apparel Stores in General	34
Results of Stillwater Survey	37
VI. THE DISPOSAL OF SLOW-SELLERS.	41
Retailing, and Clothing and Apparel Stores in General	41
Results of Stillwater Survey	55
VII. SUMMARY AND CONCLUSIONS	65
BIBLIOGRAPHY	71

LIST OF TABLES

Table	Page
I. Causes of Slow-Sellers as Expressed by Stillwater Clothing and Apparel Stores	21
II. The Practices of Stillwater Clothing and Apparel Retailers Used in the Detection of Slow-Sellers	30
III. The Practices of Stillwater Clothing and Apparel Stores Taken Toward the Prevention of Slow-Sellers	38
IV. Outline of Alternative Methods for the Disposal of Slow-Sellers Taken from Secondary Sources	42
V. The Practices of Stillwater, Oklahoma, Clothing and Apparel Stores Used in the Disposal of Slow-Sellers	58

LIST OF ILLUSTRATIONS

Figure	Page
1. An Unstructured Questionnaire Form Used to Survey Stillwater, Oklahoma, Clothing and Wearing Apparel Stores.	10

CHAPTER I

INTRODUCTION

The problem of slow-selling merchandise¹ is a thorn in the side of small retail management as well as the large retailer. The small retailer may not have the ability and availability of expert advice that large retail management does. Clothing and apparel stores is one area of retail operations in which the problem of slow-selling merchandise seems particularly important. Around 9 percent of the consumer dollar is spent on clothing and apparel.² Housing and food, beverage and tobacco are the only two groups which take a larger percentage of the consumer dollar. Therefore, it seemed a study of how the problem of slow-selling merchandise is handled by retail management would be fruitful and interesting. The purpose of this report is to look into this problem for the retailer in general giving attention particularly to those aspects which might apply to the small clothing and wearing apparel retailer.

If a particular line or group of items in a retail store does not sell well, meet a certain turnover, or otherwise meet management expectations it might be called a slow-seller. However, the scope of this study is not limited to this classification only. Depending upon

¹For definition see p. 7.

²Jeannette A. Jarnow, Fashion is Their Business: Readings from the Fashion Business, Fashion Institute of Technology (New York, 1961), p. 199.

the area of retail operation or colloquialism, the use of single descriptive work such as "slow-sellers" can be understood to mean different things. Other descriptions of the kinds of merchandise which are dealt with in this report are "aged products," "sleepers," "dead products," "distress items," "junk," "slow movers," or any one of a number of other terms including "dogs" which is used by most clothing and wearing apparel retailers. Included in the category are also "promotional remainders" which are odd sizes, colors, etc., remaining after the main stock of an items group has been sold. The area of discussion for purposes of this report will refer to such merchandise as slow-sellers. It is meant to include all merchandise encompassed by the above and similar terms which requires retail management to take some action other than normal markup and selling procedures to move merchandise.

THE PROBLEM

There seems to be insufficient attention given to the problems of the small retailer. Perhaps this is due to the small percentage of sales accounted for by small retailers. This is particularly true in wearing apparel stores.³ The problem of slow-selling merchandise is important in that it takes up valuable store and shelf space, ties up working capital and adds to inventory costs. The problem then is what to do about slow-selling merchandise in a small clothing and apparel store.

For a small retailer to even begin to solve this problem, he must be aware of the causes or reasons why slow-selling merchandise appears

³Ibid., p. 97.

in his store. In order to make decisions involving slow-selling products, the small retailer must be able to detect in some manner the presence and magnitude of slow-selling merchandise in his store. Once he knows the causes and is able to detect slow-sellers, then perhaps he can take measures to prevent some of it from reoccurring in the future. It is inevitable that most retailers regardless of size or type of business, will be faced with some slow-sellers on their hands. The problem then exists as to what to do with these items and how to do it.

For purposes of discussion, the main problem of slow-selling merchandise is divided into the subproblems of cause, detection, prevention and disposal of slow-sellers. Each will be discussed separately and will require some examination of buying procedures, inventory control and turnover rates, as related to the general problem of slow-sellers. The main emphasis will be placed on the actual problem of disposal, but by no means is this meant to imply that the other subproblems are less important. It is rather because they are less directly connected with the problem of slow-sellers, and because the area of disposal has been the most neglected.

Method of Study

In order to get an accurate description of how small retail management handles the problem of slow-sellers, and how they might improve such practices, it seemed logical to research the causes of such merchandise and the methods of detection. Material from these areas of study, along with additional research, was then used to formulate possible preventive measures against the occurrence of slow-selling

merchandise. Finally, material was gathered which involved the disposal of slow-sellers. Examples of the clothing and apparel retailer or methods and ideas which might apply were emphasized in this stage of the study in which secondary sources were searched.

A survey of all Stillwater, Oklahoma, clothing and wearing apparel retailers was then taken. Personal interviews with store management were used, implementing the use of an unstructured questionnaire. Responses were sought concerning the cause, detection, prevention and disposal of slow-selling merchandise. As the survey progressed, additional secondary research was required, especially as applicable to the clothing and apparel industry.

The results of the survey were then compared with what had been found in the literature concerning each of the areas of causes, detections, prevention, and disposal of slow-sellers. By such comparisons it was possible to show where improvements might be needed and made in some of the local Stillwater, Oklahoma, clothing and apparel stores. A comparison between individual stores or classes of stores also was made to learn why certain methods used by one store were not used by another.

The research of secondary material was not completely limited to clothing and wearing apparel stores. However, this was the main area of emphasis. An attempt was made to avoid dealing too deeply with general and specific merchandising practices which indirectly are of great importance to the problem of slow-selling merchandise.

The survey was limited to Stillwater, Oklahoma, clothing and apparel stores. All stores in this classification were part of the study. Included were variety stores, shoe stores, department stores,

and other stores that carry clothing and wearing apparel.

Sources of Data

Both primary and secondary sources of data were used in completing this report. The primary material consisted of 24 interviews with Stillwater, Oklahoma, retail managers, covering 29 retail clothing and apparel stores.

Of considerable use in researching secondary sources were general texts concerning retail merchandising and all its various aspects. The several publications of John W. Wingate were most useful. However, often they were too general and obviously in many cases were directed toward the large retailer. A large amount of material concerning the small retailer was assembled from publications of the U. S. Government's Small Business Administration (SBA) department and various journals concerned retailing. The major SBA publications used were Small Business Management Series, Small Business Bibliography, Management Research Studies, and Small Marketer's Aids. Some of the major journals were Stores issued by the National Retail Merchants Association, Retail Control, Journal of Retailing, Advertising Age, Discount Merchandiser, and several others. Journals and publications of the clothing and wearing apparel industry itself provided a frame of reference in researching this area but provided little information directly concerned with the problem of slow-selling merchandise. Some of these were Men's Wear, Woman's Wear Daily, and other trade publications. General information was obtained from some sources which are not specifically footnoted and therefore not included in the bibliography.

Definition of Terms Used

There is a great deal of confusion in word usage and terminology. This is particularly true in the clothing and wearing apparel trade where the distinction between style, fashion, fad, and other terms lack standardization and are used to mean different things both within and outside the trade. A listing of the definitions of terms used in this report, therefore, seems to have merit. An attempt has been made to present those definitions which are in common usage and the source is footnoted wherever possible.

Style: "A characteristic or distinctive mode or method of expression, presentation or conception in the field of some art or particular cut, design or type of an article or a design which has characteristics which distinguishes it from other designs."⁴

Fashion: Nothing more or less than the prevailing style at any particular given time. That which is currently considered appropriate.⁵ Whenever a style is followed or accepted by numbers of people, it is a fashion.⁶

Fad: A minor or short-lived fashion.⁷

Fashion Cycle: A term which refers to the rise, mass popularization, and decline of a fashion. It's usually visually represented by a wave-like curve.⁸

⁴Ibid., p. 235.

⁵Mary D. Troxell, Fashion Merchandising Training in Two-Year College Retailing Programs, Master of Science Thesis, New York University (1962), p. 11.

⁶Jarnow, p. 233.

⁷Ibid.

⁸Troxell, p. 11.

Ready-to-Wear: Apparel which is mass-produced, as opposed to apparel made to a customer's special order.⁹

Speciality Store: A retail store that makes its appeal on the basis of a restricted class of merchandise.¹⁰

Variety Store: A retail store that handles a wide assortment of goods usually of low or limited price.¹¹

Department Store: "A retail store which handles a wide variety of lines of goods including women's ready-to-wear and accessories, men's and boy's wear, piece goods, small wares, home furnishings, and furniture, and which is organized into separate departments for purposes of promotion, service and control."¹²

"Going to Market": The attendance by store representative(s) to locations where manufactures display their merchandise lines for the next season.

Resource: Often called source. Manufacture(s) from which the store buyer orders and receives his merchandise for resale.

"Slow-Sellers": Any merchandise which the retailer must dispose of in some manner other than the usual markup and selling procedures. Includes promotional remainders (i.e., odd sizes, colors, etc.) and overbought items. Usually referred to as "dogs" in the retail clothing and wearing apparel trade.

⁹Jarnow, p. 233.

¹⁰Ibid., p. 232.

¹¹Ibid.

¹²Ibid., p. 230.

"Selling Period": Period between seasonal clearance sales. It is during this period that goods are given a regular markup and sold for the appropriate season.

Sales Period: Period during which clearance sales, and other store's sales are held in which the merchandise is reduced in price below the regular markup.

CHAPTER II

AN UNSTRUCTURED, PERSONAL INTERVIEW OF STILLWATER STORE MANAGERS

There are some things which cannot be learned from a text book or from other reading sources. Contact with the day-to-day operations of the subject matter in this report gave an insight into this area of retailing which probably could never have been gained elsewhere.

Purpose of the Study

The purpose of running this survey was to find out how Stillwater, Oklahoma, retail clothing and apparel managers handle the problem of slow-selling merchandise. More specifically it was used to find how aware of this problem they are, and the methods they use in handling the various subproblems. Namely, what methods of detection they use, what methods of disposal are used, the attempts to pinpoint causes of slow-sellers, and what preventive measures are taken against slow-sellers. The preceding order is the general order in which the information was sought from the respondent. The reader may notice that this is different from the order of causes of detection, prevention, and disposal in which secondary materials were research and in which Chapters III through VI are arranged. The reason is simply that it was felt that a freer and more natural response would be obtained if the questioning took the same order in which the problem

meets the eyes of the manager--namely, detection, disposal, discovery of the causes and prevention.

The Questionnaire and Technique Used

The survey consisted of an unstructured questionnaire given in personal interviews to 24 Stillwater, Oklahoma, clothing and apparel retail managers. Twenty-nine stores were included in the survey. Often the respondent would provide answers to questions before they were asked and therefore strict adherence to the order of questions was not always possible. An informal, free flowing atmosphere was maintained as much as possible and responses recorded without interrupting this atmosphere. Often complete notation of the answers given by the respondent were entered after the interview, and usually before the next interview took place. The questionnaire form used is shown in Figure 1.

FIGURE 1

AN UNSTRUCTURED QUESTIONNAIRE FORM USED TO SURVEY

STILLWATER, OKLAHOMA, CLOTHING AND WEARING

APPAREL STORES

OBJECTIVE OF THE SURVEY: To find how Stillwater, Oklahoma's men's and women's clothing and wearing apparel retail store management handle the problem of slow-selling merchandise.

Name of Store _____ Phone _____
 Location _____ Date _____
 Name of Respondent _____
 Position of the Respondent _____

FIGURE 1 (Continued)

Q-1:	How long have you been in retail clothing work?		
Q-2:	How is it decided an item or group of items are slow-selling?		
Q-3:	Generally, when do you actively attempt to find if there is slow-selling merchandise on hand?		
Q-4:	What method is usually taken in the disposal of slow-sellers?		
Q-5:	When do you take action to move your slow-sellers?		
Q-6:	(If applicable): Do you think it would be beneficial if action could be taken sooner?		
Q-7:	Are other alternative actions considered other than those mentioned in Q-4?		
Q-8:	What criteria are used to decide the method of disposal?		
Q-9:	Have you considered	Yes	No
	Markdowns		
	To employees?	_____	_____
	To customers?	_____	_____
	Give-aways		
	To employees?	_____	_____
	To charity?	_____	_____
	Promotional Price Markdowns		
	To customers - "give aways"?	_____	_____
	To customers - "tie-ins"?	_____	_____
	To customers - combined packaging?	_____	_____
	To employees (PM)?	_____	_____
	To charity?	_____	_____
	Selling to "Bargain Stores"?	_____	_____
	Selling to Other Retailers?	_____	_____
	Raising the Price?	_____	_____
	Promotional "gimmicks"		
	In advertising?	_____	_____
	Sales force?	_____	_____
	Townwide?	_____	_____
	Store display?	_____	_____
	"Bargain tables"?	_____	_____
	Non-Price Alternatives		
	Train personnel & sales meetings?	_____	_____
	Return to source?	_____	_____
	Advertising?	_____	_____
	Change display?	_____	_____
	Move location?	_____	_____

FIGURE 1 (Continued)

- Q-10: Why aren't other alternatives such as those in Q-9 considered?
- Q-11: Do you consider implementing the suggestions of salesmen, employees, and others in the disposal of slow-selling merchandise?
- Q-12: What happens to merchandise which is not successfully disposed of after several attempts to do so?
- Q-13: Do you think this store has an image or reputation which limits the alternative actions that might be taken in the disposal of slow-sellers?
- Q-14: What methods, if any, are used to determine the causes for slow-selling merchandise in your store?
- Q-15: What do you consider as the major cause(s) of slow-sellers in your store?
- Q-16: Are there time periods in which slow-sellers are more than pronounced than other time periods? No Yes When are they?
- Q-17: Are some merchandise classifications more prone to become slow-sellers? No Yes Which ones?
- Q-18: What preventive measures have been taken to cut down on the presence of slow-selling merchandise?
- Q-19: Do you or a store representative "go to market"?
- Q-20: Does this store use the services of a resident buying office?
- Q-21: Please take an item from last year which was a slow-seller and describe how it was handled from the time it was decided to order that item to the final disposal of it.
-

Before getting into the actual questionnaire it was determined that the respondent knew exactly what was meant by slow-selling merchandise. To do this without biasing his later responses the use of terms such as "dogs" were used. The word "dog" is commonly used by people in the retail clothing trade and often sufficed to put both the respondent and interviewer in the same frame of reference. Question six

was asked only when it was felt that there was too long a delay before action was taken to move slow-sellers. Fortunately, many respondents gave responses for not taking action sooner and it was not necessary to use this potentially awkward question.

Question eight is probably the least clear and occasionally some directive probing was necessary to obtain what was wanted by asking this question. If more than one major method of disposal was used then it was desired to find out what criteria was used in deciding the particular method used in a particular situation. If a single method of disposal given as a response had several different ways in which it could be used (such as markdowns), then it was desired to find out what criteria was used to decide the final way in which the method of disposal was used.

The checklist in question nine is the only real structured part of the interview, and was used by the interviewer as a guide for himself rather than a list to ramble off to the respondent. Many of the points listed were covered before this stage of the interview was reached. In addition, question ten was seldom asked because the respondent often gave reasons for not using other alternatives as they were entered into the discussion. The same thing was true for question twelve.

If the respondent did not give a satisfactory description of his store's method of stock and inventory control, and the methods of receiving and marking used then a probing question was asked in this direction.

Problems and Limitations

There were certain problems and limitations experienced in running the preceding survey. One was that due to the length of the survey questionnaire, a half hour at the bare minimum was required to conduct the interview in the way it was intended, and as long as an hour and a half was sometimes taken. Many of the respondents were apparently very busy people but did agree to make an appointment to be given the interview. On the whole they were very cooperative and helpful but occasionally a respondent would try and rush through the interview making it difficult to obtain anything but short, general answers.

Another difficulty was the attempts on the part of some respondents to impress the interviewer with their store's operations and therefore misrepresent or bias their responses. There is no way of telling the extent to which this was done, but in one case the respondent pointed out that one certain practice was avoided as much as possible and yet it is known that it is one of the more common practices in the store. Therefore, it seems likely that some seemingly distasteful or unethical practices as viewed by the respondents might not have been expressed and consequently are missing from the reported results of the survey.

Classification of Stores

One final difficulty, which is more concerned with presentation of the results than with obtaining the data, was the classification of stores interviewed. Four general classifications were made of the Stillwater, Oklahoma, retail stores interviewed. These classifications and the stores which fall under them are listed below. Separate store

characteristics within a classification are discussed in later chapters.

I. Locally owned Men's and Women's Clothing and Wearing Apparel Stores

1. Zorba's Men's Store
2. Boaz Men's Wear
3. Mr. G's
4. Harold's
5. Bates Bros. (1 town, 1 campus, and Squire shop)
6. Elsie's Dress Shop
7. Nina's
8. Bonney's (1 town, 1 campus)
9. Reed's
10. Speciality Shop
11. Tot and Teen
12. Gage's Western Store

II. Shoe Stores

13. Campbell's Fine Shoes
14. The Hut Shoe Store
15. Booterie
16. Earnest Bros.
17. David's Shoe Store

III. "Bargain Stores"

18. Sample Shop
19. Newton-Wall

IV. Chain, Variety, and Department Type Stores

20. T G & Y (1 town, 1 campus, 1 University Square)
21. McLellan-Otasco
22. C. R. Anthony
23. J. C. Penney's Company, Inc.
24. Katz Department Store

CHAPTER III

CAUSES OF SLOW-SELLERS

Retailing, and Clothing and Apparel Stores in General

Buying Mistakes. Without exception, the literature sources which discuss the causes of slow-selling merchandise cite buying mistakes as one of the causes, and many cite it as the major cause of slow-sellers. A survey by N. W. Cornish¹ showed buying as the number one cause of markdowns in men's clothing and women's apparel retail stores. However, buying errors can take many forms, such as overbuying, purchase of the wrong styles, colors, and sizes, poor timing, or even buying at the wrong price.²

What might cause the buyer (may be owner of the store) to overbuy? One may be that he failed to properly analyze and plan his sales and purchases, or perhaps he bought goods which were already adequately in stock.³ Not only does overbuying tie up working capital and take up valuable space, but it usually results in the ultimate problem of what to do with the extra goods which are destined to be slow-sellers and

¹N. W. Cornish, "Extent and Causes of Markdowns in Single-Line Stores," Journal of Retailing, Winter, 1955-56, pp. 190-2.

²J. W. Wingate and J. D. Weiner, Retail Merchandising, South-Western Publishing Company (Cincinnati, 1963), p. 289.

³John W. Wingate and E. O. Schaller, Techniques of Retail Merchandising, Prentice-Hall, Inc. (Englewood Cliffs, New Jersey, 1956), p. 177.

which decrease in value through obsolescence and deterioration. This usually requires the store to take some loss in order to adjust for their mistake.⁴

Another buying error is the purchase of the wrong styles, colors, and sizes. This may be the result of the clothing and apparel retailer's failure to be aware of his own customer's wants and demands, or it may be that he does not have the ability to resist special price concessions on large orders. Unexpected changes in styles, color preferences, fashions, and fads are not uncommon in the clothing and apparel retail trade. This does not give such a retailer an excuse, but rather points out why good selection in buying is paramount and could lead to a great number of slow-sellers if done carelessly. A careless buyer can make selling more difficult for his own salespeople. Sloppy or careless buying is one of the surest ways to guarantee losses,⁵ and may mean the difference between profits or failure to the small clothing and apparel retailer.

Often the timing of when to order the goods and when they arrive is so bad that otherwise good sellers remain in stock too long. In the clothing and apparel trade this pitfall is also significant in re-ordering. Time is particularly critical in women's wearing apparel which is highly subject to changes in fashion. In addition, goods can

⁴G. H. Richert, Retailing, Principles and Practices, McGraw-Hill Book Company, Inc. (New York, 1954), p. 307.

⁵Ben Projan, "Previous Sales Best Guide for Buying," Grass Roots Retailing, Fairchild Publications, Inc. (New York, 1962), p. 33. Reprinted from a series of articles which originally appeared in Daily News Record.

be bought at the wrong price relative to quality which may cause the retailer to mark the goods at a price which does not move them.

Pricing Errors. Poor judgment in pricing can also cause products to be classed as slow-sellers. The AMA defines merchandising as "the planning involved in marketing the right merchandise, at the right place, at the right time, in right quantities, and at the right price."⁶ Buying has covered most of this, but if the prices are not "right" because they are too high or too low, it will probably result in the problem of what to do with merchandise that has been around too long. The reason the price is not "right" might be that the retailer was not aware of the pricing of similar goods by his competition. Even at too low a price the consumer may become suspicious of the quality of the merchandise and not buy it.⁷ On the other hand, the retailer may be over-optimistic and price his merchandise too high whereas it would sell well at the regular markup price.

Selling Effort. A long list of selling errors which lead to slow-sellers could be given. Such a list might include improper or inadequate advertising, display, and salesmanship.⁸ Perhaps the salespeople were not provided with the necessary information concerning the type of customer they were serving. Maybe the salespersonnel tend to push only the merchandise that appeals to them. High pressure selling by salespeople can also result in losses taken due to slow-sellers which is what these

⁶David Carson, "Guide for Constructing a Merchandising Policy," Journal of Retailing, Winter, 1961-1962, p. 24.

⁷Wingate and Weiner, p. 290.

⁸Wingate and Schaller, p. 179.

goods become when returned by the customer. Any one of the preceding or numerous other selling errors can lead to slow-selling merchandise.

Inefficient Stockkeeping and Control. Another major cause of slow-sellers is inefficient stockkeeping and control. Slow-sellers or goods which are in danger of meeting this classification should be spotted quickly to avoid excessive losses. Assuming this is done, chances are that the average clothing and apparel retailer will accumulate a certain amount of stock which has been slow-selling merchandise. Reason would dictate that these items be moved out and disposed of without delay.⁹ However, it is a human and common characteristic of the small retailer to be very reluctant to take action which appears to be a loss.¹⁰ So the merchandise sets around gathering dust and choking inventory. Seldom will a customer come in wanting to buy those particular items with just that "vintage".

It is also possible for many goods to deteriorate as the result of poor handling and storage practices.¹¹ One such practice might be the overlooking of inventory items and reporting them as out of stock,¹² which may also lead to overbuying. Also inefficient receiving and marking operations can lead to a number of potential trouble spots and high on the list would be forgotten and damaged merchandise, discrepancies

⁹Wingate and Weiner, p. 290.

¹⁰Irving Goldenthal, "Stock Management in Small Stores," Small Marketers Aids, Annual No. 3, Small Business Administration (Washington, D. C., 1961), p. 22.

¹¹H. N. Broom and J. G. Longenecker, Small Business Management, South-Western Publishing Company (Cincinnati, Ohio, 1961), p. 579.

¹²Merlin E. Dering, "Internal Control of Retail Inventories," Retail Control, XXXIV (April, 1966), p. 21.

between shipment, invoice and purchase order, and acceptance of late deliveries.

Other Causes. In defense of the retailer, it should be pointed out that there are some unavoidable causes of slow-sellers. For instance, it is often necessary for a store to carry greater quantities, colors, styles, sizes, etc. of some merchandise than it is possible to sell at regular prices. This is especially true if it is fashion merchandise.¹³ The purpose of such a policy would be to offer the customer an adequate assortment of merchandise from which to choose. However, such a policy can be over emphasized which may result in an unnecessary number of lines being carried.

Other factors which may lead to the existence of slow-sellers are unexpected price reductions by competing retailers, unseasonal weather, excessive handling by the customers, and promotional reminders. Promotional reminders are odd sizes, colors, etc. left over after the main part of that line of stock has been sold.

Results of Stillwater Survey

The causes of slow-selling merchandise as expressed by the 24 respondents in the survey are shown in Table I. The list of causes was made up from the preceeding section as extracted from the literature. As was expected, buying mistakes appears to be the most common cause of slow-sellers in Stillwater clothing and apparel stores. Purchasing errors were mentioned by all but 21 percent of the stores, and of these

¹³William R. Davidson and Paul L. Brown, Retail Management, The Ronald Press Company (New York, 1960), p. 414.

TABLE I
 THE CAUSES OF SLOW SELLERS AS EXPRESSED BY
 STILLWATER CLOTHING AND APPAREL STORES

<u>Causes</u>	<u>% responses*</u>
Buying Mistakes	
Overbuying	42
Purchasing errors	79
Timing of orders and reorders	0
Wrong price	0
Pricing Errors	
Too high	0
Too low	0
Selling Effort	
Advertising	0
Display	0
Salespeople	4
Inefficient Stockkeeping and Control	
Afraid to take loss	8
Poor handling	0
Overlook items	0
Receiving and marking	0
Late deliveries	8
Others	
Promotional remainders	42
Style and fashion change, fads	25
Miscellaneous	29

*Total percentage greater than 100 as more than one cause was given by many respondents.

buying mistakes of any sort were not considered as causes of slow-sellers. Promotional remainders and overbuying were mentioned next to purchasing errors as causes. However, overbuying was considered far more important, and effected much more merchandise. Shoe stores and stores carrying a complete assortment of a narrow product line (speciality stores) mentioned promotional remainders most often as a major cause. It is felt that nearly all the other stores had the same problem, but to a lesser degree. The 25 percent who felt style and fashion changes and fads was one of the major causes for slow-sellers is hard to evaluate. Half of this latter group were those who felt they did not make any buying mistakes. It may be an indication of these retailers' failure to recognize buying mistakes. Perhaps they got caught in a fashion change, in which their timing of orders and/or reorders was bad.

Only 4 percent of the respondents revealed that selling efforts might be a reason for having slow-selling merchandise. None mentioned poor advertising or display practices. Here, I believe the respondents may have been biased in thinking of themselves as a good merchandiser. An outside unbiased evaluation of the various stores interviewed and their selling efforts would probably show a larger percentage figure in this category than shown in Table I.

An interesting array of miscellaneous causes were given. Some of these were weather, depending too much on resource salesmen, inability to plan ahead, and merely that they were accidental and unavoidable. Except for the few cases already cited, there was little difference between types of stores in the causes of slow-sellers expressed.

An overwhelming 71 percent of the respondents made no attempt to determine the cause of slow-sellers in their store. This was surprising and may be the reason why certain expected responses do not appear in Table I. The impression received by the interviewer was that the various managers have lived with the problem for a number of years (average experience 18.5 years) and have come to expect slow-sellers as "part of the business." Twelve percent of the stores actively attempt to find the reason for slow-sellers by talks and meetings with salespersonnel and/or salesmen. Past records of bad buys are kept by 17 percent of the stores for reference, and the remaining stores rely on customer reactions, and visual inspection. In the author's opinion, the area of pinpointing the causes for slow-selling merchandise is one in which improvement could be made in the local retail clothing and apparel stores.

CHAPTER IV

DETECTION OF SLOW-SELLERS

Retailing, and Clothing and Apparel Stores in General

Thus far the topics of buying, selling, receiving and marking, and stock or inventory control have been discussed in separate context. However, in the real world situation the issues seem to center around inventory control and stock turnover. This is the case for two reasons. The first reason is that good inventory control can tell the retailer many things about his buying, pricing, selling, receiving and marking practices. The second reason is that inventory control along with rates of turnover aid the retailer in detecting the source of his problems. The retailer cannot take any disposal or preventive action until he knows that such material is on hand. Most small retailers are limited by amount of capital and time as to how elaborate an inventory or stock control system they can implement. Many might say, "Sure, stock control sounds fine for the big guy, but it just won't work for me." Chances are he is wrong. Stock management in small stores can be and is being accomplished.^{1, 2}

¹Irving Goldenthal, "Stock Management in Small Stores," Small Marketers Aids, Annual No. 3, Small Business Administration (Washington, D. C., 1961), p. 20.

²Jane Cahill, The Backbone of Retailing, Fairchild Publications, Inc. (New York, 1960), pp. 33-39.

Inventory Control. The importance of inventory control for the retail clothing and apparel manager is great. This is attested to by the fact that inventory usually represents the largest dollar investment in such a concern.³ Even though the "little man" or small retailer cannot expect to develop as an elaborate inventory control system as in a larger business, the benefits of improving their present system may more than justify the time and effort in doing so. As I mentioned earlier, it can be done. But first, what exactly is the objective of inventory control and how does it relate to improving the problem of slow-selling merchandise? Inventory control has been defined as follows:⁴

The objectives of inventory control are to keep the inventory (stock) in a definite relationship with net sales and with net working capital, ... , the minimizing of losses through obsolescence, depreciation, and expenses from carrying excessive inventory, and the development of records to give a constant aging of inventory items. . . Products in the inventory that have not been moved for a relatively long period generally prove to be an unprofitable investment; they may eventually be sold at a loss or scrapped because of a change in design or in the line of products, because the items were not suitable or actually needed or because the goods had been deamedged or allowed to deteriorate. An aging of inventory items when closely followed and used, furnishes the information to forestall such losses.

From the above definition it is easy to see why the subject matter, slow-sellers and their detection, centers around inventory control and stock turnover (i.e., relation of inventory to sales).

³H. N. Broom and J. G. Longenecker, Small Business Management, South-Western Publishing Company (Cincinnati, Ohio, 1961), p. 586.

⁴Kenneth N. Sherman, "Inventory Control," Small Business Bibliography, Small Business Administration (Washington, D. C., September, 1964), p. 1.

In order to use inventory control for the purpose of detecting slow-selling merchandise, it is essential that the merchandise be adequately checked and marked upon receiving. An often easily applied practice, which should be implemented by retailers in some form, is to not only mark the price of the goods upon receiving but also to use some dating system. By a dating system, I mean either put the actual date of purchase on the item (or its price tag) or code the date in some manner. Many clever code systems are used and is limited only by one's imagination. Many items are already dated by the manufacturer which may be sufficient in many cases. The purpose is obvious, when inventory is taken not only can the retailer know the number of items in stock but also how old the items are and therefore detect whether or not they are slow-sellers. There should be some minimal time period after which complete stock inventory should be taken. Such a period might be every month, every six months, or every year. The older items should be listed on slow-moving merchandise (SMM) sheets. The merchandise which appears on the SMM sheets should then be inventoried at least once a month.⁵ Thus slow-sellers can be easily and quickly detected if these items do not move at an acceptable rate, and action can be taken to dispose of them.

Unit Control. The key to stock control is the "how" of it. That is, what type of information is sought and listed. A common method which has successfully been used by retailers is unit control.⁶ This

⁵J. W. Wingate and J. O. Weiner, Retail Merchandising, South-Western Publishing Company (Cincinnati, 1963), p. 458.

⁶Cahill, p. 39.

should appear particularly appealing to the small clothing and apparel retailer. By unit control is meant that the merchandise is broken down into individual lines of merchandise. It should be pointed out, the smaller the store, the less complex and detailed should be the classification and, therefore, the simpler should be the job.⁷ An adequate means for detecting slow-selling merchandise is provided by using the unit control method as follows: (1) breaking down the stock into basic items or stock categories (suits, coats, etc.); (2) pricing and dating each item; and (3) when taking inventory, list essential information such as source, name, style number, cost price, retail price, slow-sellers, color, and size. Also, some means should be used of indicating which items had to be marked down or otherwise disposed of because they became slow-sellers.

The retailer should then be in a position to know his stock at all times, and therefore detect where the problem of slow-sellers exists and also the causes of the problem discussed in Chapter III. This allows him to take corrective action and with some facts to guide him, rather than with haphazard efforts.

Inventory and Stock Turnover. Stock turnover has been mentioned in conjunction with inventory and it is a useful means of detecting slow-selling merchandise also. The proper relationship of net sales to inventory can be expressed as a ratio called the turnover ratio, determined by dividing the net sales for a given period by the average inventory for that period. Turnover can then be used to detect slow-sellers. If the retailer bought for a turnover of six and found the

⁷Goldenthal, p. 24.

actual merchandise turnover was only three, then he will have slow-selling merchandise on hand. The excess merchandise must be moved or disposed of in some manner. Turnover rates should be used only for comparative analysis. They should be compared to the retailer's own past records of turnover, competitor's rates of turnover, and with published rates in Dun and Bradstreet, trade association publications, government agency reports and other similar sources.⁸ When using these comparisons, the retailer should take into account the characteristics of the particular situation which exists at the time. Because of its use with inventory and sales in detecting slow-movers, a fractional difference in turnover can make quite a startling difference in net profits and the amount of capital tied up in inventory.⁹

Interesting Detection Techniques. An interesting control and detecting technique using a dating system has been published by Myers.¹⁰ He calls it the "death date" system and it was originated because he felt there had been a failure to study the movement of merchandise and determine its "right life." So he made such a study in minute detail. Each merchandise category is given a life span, and the date ("death date") by which it should be out of the store is coded into the price ticket when the item is marked. For example, summer mesh girdles should move in 16 weeks. Myers has compiled a six-page list of "permissible

⁸ Broom and Longenecker, p. 587.

⁹ Sam Flanel, "The High Cost of Low Stock Turnover," Stores, XLVI, September, 1964, p. 14.

¹⁰ Roy Myers, "Turnover Improvement," Stores, XLII, February, 1960, p. 31.

merchandise ages." For fashion merchandise, it is shortened for goods received as the season advances.

Another interesting device used by a manufacturer of men's clothing should make detection of slow-sellers easier. The manufacture is dating its men's suits much in the same manner as are car models.¹¹ Tags will read "J&F Dateline 1967 Collection" this year as shoppers look at their new fall or winter suit. The approach is one of "Our suits carry a date. Like cars, you can buy the 1967 models now." This automatically forces the importance of detecting slow-sellers onto the retailer, and in addition the importance of the seasonality of some items.

Results of Stillwater Survey

The attempts made by the Stillwater, Oklahoma, retail clothing and apparel stores to detect slow-selling merchandise are varied. The various aspects of detecting slow-selling merchandise that were mentioned by the respondents of the Stillwater, Oklahoma, men's and women's clothing and apparel stores is summarized in Table II. The responses are broken down into the four classes of stores (see Chapter II) from which they were received. In addition, the total percentages for all stores is given.

A large percentage of the stores put a coded date on the tags when marking their merchandise. As mentioned in the previous section, this is an accepted practice and should be used. It also might be expected that the "bargain stores" (Class III) would not date their

¹¹"Joseph & Feiss Starts Dating its Men's Suits a La Detroit Car Models," Advertising Age, XXXV, August 3, 1964, p. 31.

TABLE II
 THE PRACTICES OF STILLWATER CLOTHING AND APPAREL RETAILERS
 USED IN THE DETECTION OF SLOW-SELLERS

Store Practices Related in Interviews	Response in Store Class (%)				Total
	I	II	III	IV	
1. Do Not Code Date Merchandise	17	80	100	--	33
2. Do Code Date Merchandise	83	20	--	100	67
But do not use	33	20	--	20	25
Use occasionally	17	--	--	20	13
Use often	33	--	--	60	29
3. How Decided a Slow-Seller					
When they do not sell	75	100	100	60	79
Other	25	--	--	40	21
Guesstimate for turnover rate	50	80	100	20	54
Calculate turnover rates	50	20	--	80	46
4. When Detection is Attempted					
Everyday "eyeball" - know merchandise well	42	80	50	40	50
Everyday "eyeball" using date system	17	--	--	20	12
Everyday "eyeball" and inventory each season	34	--	--	--	17
Everyday "eyeball" and inventory each month	8	20	50	40	21
5. Use of Inventory Control System					
None	42	40	50	--	33
Some variation of Unit Control System	25	40	--	20	25
Other inventory control system	33	20	50	80	42
6. Time Period Slow-Sellers Detected More					
None	33	60	50	40	42
End of season	42	--	--	60	33
Tied to college year	25	40	50	--	25
7. Items More Prone to be Slow-sellers					
None	25	--	100	--	21
Fashion and style merchandise, fads	50	80	--	100	62
Supplementary lines	25	20	--	--	17

merchandise, since much of it is slow-sellers or "dogs" from other outlets. Surprisingly, however, a large number of the shoe stores (Class II) do not code date their goods. If it is true, as the survey seems to indicate, that shoes are not as seasonal as they are fashionable, then perhaps code dates would not be of as great importance. However, in the larger variety, chain, and department type stores (Class IV), clothing and wearing apparels are also apparently highly subject to changes in styles, fashions and fads. Yet, the latter group not only code date their merchandise but use this system more often than any other class in detecting slow-selling merchandise.

Of the locally owned stores (Class I), those which carry a broad line of high quality merchandise use a dating system to detect slow-sellers more often than the stores carrying narrower product lines. This same pattern generally repeats itself when looking at inventory control and calculated turnover rates. That is, the higher volume quality stores along with the "larger" stores of Class IV generally employ these methods for controlling and detecting slow-sellers more than the remaining stores. Once again, the shoe stores apparently are not as strong in these latter areas as was expected from personal intuition.

"When they do not sell" is a common basis used by many of the stores interviewed in deciding if an item is a slow-seller. For some stores, this was just the first basis which led them to look at their code dated tags or rely on "knowing their merchandise." Interestingly, 12.5% of the stores (all in Class I) use as a basis for some of their merchandise, a date system similar to the "death date" system of Myers

discussed in the previous section.¹² That is, they have a predetermined time period or date by which certain merchandise should be moved; if not, then it is classed as a slow-seller.

When stores actively attempt to detect slow-selling merchandise is widely varied. Everyone uses an everyday "eyeball" method; that is, they just look over their stock on display. All the respondents also indicated that they look for slow-sellers at each yearly inventory which occurs at the end of their fiscal year. However, only a few of the stores indicated that they compiled a list similar to a SMM sheet as a result of the yearly inventory. Other stores may also compile similar lists, but the data from the interviews is not extensive enough to draw any conclusions as to how many do. What is significant is that half of the respondents use only a daily "eyeball" and the yearly inventory. Most of this group claimed they knew their merchandise well enough that this was all that was necessary. Many of these are the same stores which do not use code dating or inventory control techniques. Surprisingly, however, it cannot be generalized that these are the same stores which indicated that there was no time periods when slow-sellers were detected more than other time periods.

Some stores (34 percent of Class I stores) also take inventory at the end of each season. For the men's clothing stores this is twice a year. For the women's fashion stores this is usually five times a year. Other stores take inventory monthly, while one store takes inventory weekly. Of those stores which take monthly or weekly inventories, two,

¹²Myers, p. 31.

and perhaps others, have pre-printed forms which are filled out and analyzed by an outside concern. It might also be mentioned that both are relatively small retailers.

CHAPTER V

PREVENTION AGAINST SLOW-SELLERS

Retailing, and Clothing and Apparel Stores in General

Buying Offices. In Chapter III it was pointed out that some of the biggest causes of slow-selling merchandise are buying mistakes. In order to prevent the continued existence of slow-sellers, the retailer is going to have to find ways to improve his buying procedures. The necessity for good buying practices is pointed out in an article by J. Gordon Dakins.¹ He suggests that independent retailers follow the example of the independent grocer; that is, acquire the services of a good buying office. This could be particularly useful to the clothing and apparel retailer. Even those retail buyers who are fortunate enough to be able to "go to market" will find buying offices very useful. Actually they are called resident buying offices in the clothing and apparel trade. The resident buying office can be of considerable aid to merchants who are far away from the market, to newly established stores, and to small-scale retailers of fashion merchandise.²

A good resident buying office can help a store by giving advice as to the best sources for goods of every classification, price, and

¹J. Gordon Dakins, "Management Perspective," Stores, XLIV, July-August, 1962, p. 3.

²J. W. Wingate and J. O. Weiner, Retail Merchandising, South-Western Publishing Company (Cincinnati, 1963), p. 199.

style. It further aids in keeping the store informed as to price changes, bargains, and gives advice on problems of stockkeeping. In addition, a resident buying office, by consolidating orders, may be able to get the merchandise cheaper than the independent store could by itself.³ There are several other services which the resident buying office can provide. Dakin also emphasizes that there would be no sacrifice of independence by joining a buying office and using its services.⁴

There are two major kinds of resident buying offices. They are independent and store owned offices.⁵ There are two types of independent resident buying offices which might be used, and are particularly pertinent to the problems of the smaller retail clothing and apparel stores. One is a fee buying office which charges the stores a fee for its services. The second is a merchandise broker which collects a commission from the manufacturer. Most of these offices are located in New York, but there are also good offices in other major cities including Dallas, Texas.⁶ No data could be found on the minimum size store such offices service, but it could be conceivable that the low volume, one-store owner might have trouble establishing a good relationship with a good resident buying office. Such an accomplishment sounds like a right step toward a solution to a retailer's problems of

³Ibid., p. 200.

⁴Dakin, p. 3.

⁵Wingate and Weiner, p. 201.

⁶Ibid. p. 202.

preventing slow-selling merchandise. It may or may not be the case. In any case, it is suggested that most of the actual ordering should be done back in the store, away from high pressure salesmanship.⁷ Good buyer-recourse relations are also important.

Other Preventive Measures. Unfortunately, it is not sufficient to say the best way of preventing slow-selling is to remedy the causes of slow-selling merchandise. Indeed, this is what has to be done, but the question is, how? The literature is full of suggested methods in the pricing of merchandise. The retailer should have some price and markup plan he uses, but in addition, he should check competition before pricing his goods and should think in terms of what the typical consumer would consider a good value which he would readily pay.⁸

In my opinion, there is also room for improvement in the small retailer's selling efforts. Most small retailers do not have the expert advice that the larger stores have on selling techniques, advertising copy, effective display, and sales personnel training. Many just draw on experience in these areas, but experience should be supplemented with new ideas found in trade publications such as Men's Wear and Women's Wear Daily. These publications not only give information concerning fashion trends, and who is buying what, but also ideas on merchandising and selling itself. In order for the selling effort to be effective and cut down on the problem of slow-sellers, the entire

⁷ J. W. Wingate and J. S. Friedlander, The Management of Retail Buying, Prentice-Hall, Inc. (Englewood Cliffs, N.J., 1963), p. 249.

⁸ "Management Audit for Small Retailers," Small Business Management Series No. 31, Small Business Administration (Washington, D. C., 1964), p. 20.

store staff (owner operated or several sales people) should know the store, its customers, the goods sold, the selling system and each should understand himself and his qualities.⁹

The implementing of a good stock control system as discussed in Chapter IV can go a long way in preventing the continued existence of slow-sellers as well as detect such items. It can provide useful recorded information which the retailer can use to find his mistakes and avoid them later. Such information could include a breakdown of markdowns taken on each classified category or include turnovers, and possible handling and marking errors.

Results of Stillwater Survey

The results of the survey taken of Stillwater, Oklahoma, men's and women's clothing stores which concerned the area of preventive measures used to limit the number of slow-sellers in their stores are interesting. The results are shown in Table III.

Only a scant few do not go to market, that is, go where the manufacturer shows their merchandise lines for the next season. Most of the Stillwater retailers attend the manufacturers' showings in Dallas, Texas. They will attend such showing from two to five times a year, with the women's fashion stores tending to go to market more often. Twenty-one percent of the stores, entirely in Classes III and IV, and each part of a large chain, go to market only in the sense that they buy through central buying offices owned by the chain. These chains

⁹Wingate and Weiner, p. 324.

TABLE III
 THE PRACTICES OF STILLWATER CLOTHING AND APPAREL STORES
 TAKEN TOWARD THE PREVENTION OF SLOW-SELLERS

Survey Results	Class (%)				Total
	I	II	III	IV	
1. Stores Which "Go To Market"					
Do go	92	80	100	100	92
Do not go	8	20	--	--	8
2. Use of Resident Buying Offices					
Do use - independent	--	--	--	20	4
Do use - central buying office, Co. owned	--	--	50	80	21
Do not use - independent	100	100	50	--	75
3. Preventive Measures Expressed by Respondent*					
a. None expressed	34	--	50	--	21
b. Learn buying mistakes from experience	58	100	50	80	67
1) written record of bad buys	8	20	--	40	17
2) mental record of bad buys	50	80	50	40	50
c. Keep record of markdowns	25	--	--	80	29
d. Have installed an inventory or merchandise plan	17	20	--	--	13
e. Other	34	--	--	20	21

*Percentages may total more than 100% since some stores expressed more than one preventive measure.

have expert buyers who go to market and with the central buying office, pass on what they find to the managers of the member stores.

Of the remaining 75 percent who go to market, none use the services of a resident buying office. One of the big reasons given for this was that the Dallas showings take place in one large mart. That is, there is not the need to go from building to building and to far removed manufacturers' displays as is necessary in New York. This makes it difficult to criticize the local stores for not looking into the possibility of using resident buying offices, since the Dallas show apparently offers some of the same advantages that buying offices do. However, another common reason given for not using resident buying offices was that they are of benefit mainly to the larger stores and would cost too much. This is different from what secondary sources indicate in the first section of this chapter. Perhaps, the difference comes in what one defines as a small retailer.

A large number of respondents (67%) expressed that they learn from experience, and this is the main device they use to prevent the future existence of slow-sellers. Indeed, experience can be invaluable in finding what buying, pricing, and selling errors can be made, and actions necessary to avoid them. The same is true for developing a good inventory control system. However, only 17 percent keep records of past bad buys and use these records in guiding them in their future purchases.

A surprisingly small number of stores have implemented an effective inventory control or merchandise plan. This is particularly noticeable in the first three classes of stores. The fourth class, or larger stores, have had such plans in use for some time and are controlled largely by

the head offices. Therefore the zero percentage for this later class is misleading and the reason why a 100 percent figure is not given in Table III is that none of these stores indicated any recent attempts to improve their present systems. However, most of these same stores mentioned that they keep records of markdowns. These stores and the stores of Class I which keep records of markdowns use them to compare with pre-planned levels of markdowns or limits are put on the allowable percentage of markdowns.

A plan which has been installed by one of the stores in Class I was particularly interesting. It is a merchandising plan set up by a consulting service, and which the store has subscribed to at an apparently reasonable rate. The manager claims it has been "well worth it." Forms are completed each month and sent to the consulting service company. The forms require consideration of such areas as markdowns, comparisons with last year's figures, comparisons with planned figures, and turnover rates. The service evaluates these reports each month giving ideas on "open to buy," and other useful suggestions. Management still remains independent in that he can implement or ignore these suggestions. By maintaining such records, it forces management of the store to review the figures he uses, develop them, and know them, thereby forcing him to know his stock and maintain good inventory control.

CHAPTER VI

THE DISPOSAL OF SLOW-SELLERS

Retailing, and Clothing and Apparel Stores in General

No matter how good an effort the retailer makes toward the reduction of slow-sellers in his store, it is only natural that such merchandise will be found at some time or another anyway. The retailer may have made an obvious buying mistake or perhaps he has found them through visual inspection, stock control, and turnover rates. Whatever the reason, once they are discovered, some way of disposing of them should be undertaken. One thing most authors agree on is the sooner action is taken, the smaller will be the loss from having slow-selling merchandise in stock.¹ Unfortunately, no ideal workable formula or quantitative plan is available for the retailer to follow which will show him the best way to dispose of such merchandise. However, there are several methods open to him. Table IV gives a list of possible alternatives which have been found in the literature. The retailer may wish to use them separately or in combination with other alternatives in the list. The assumption made is that the goods are still useable. That is, in the opinion of the retailer, they still have some

¹Ben Projan, "Previous Sales Best Guide for Buying," Grass Roots Retailing, Fairchild Publications, Inc. (New York, 1962), p. 33. Reprinted from a series of articles which originally appeared in Daily News Record.

TABLE IV
OUTLINE OF ALTERNATIVE METHODS FOR THE DISPOSAL
OF SLOW-SELLERS TAKEN FROM SECONDARY SOURCES

- A. Markdowns
 - 1. To employees
 - 2. To customers
 - a. When discovered
 - b. Periodic clearances
 - 3. Size of markdown
 - 4. Comparative pricing
- B. Give-aways
 - 1. To employees
 - 2. To charity
- C. Promotional Price Markdowns
 - 1. To customers
 - a. Give-aways
 - b. Tie-ins
 - c. Combined packaging
 - d. Bargain tables
 - 2. To employees
 - 3. To charity
- D. Sell to "Bargain" Stores
 - 1. Image is in aged merchandise
 - 2. Other retailers
- E. Raise the Price
- F. Promotional Gimmicks
 - 1. Advertising
 - 2. Salesforce
 - 3. Townwide
 - 4. Store display
- G. Non-Price Alternatives
 - 1. Train personnel and sales meetings
 - 2. Return to sources
 - 3. Advertising
 - 4. Change display
 - 5. Move location
- H. Ask for Suggestions
 - 1. From customers
 - 2. From salespeople
 - 3. From suppliers and others
- I. Less Desirable Alternatives
 - 1. "Hoodwink" customers
 - 2. Imply non-existent quality

value to someone. This is usually the case except rarely when they become so badly soiled or damaged that the only alternative is to throw them away.

Many of the disposal methods listed can also be preventive measures. If for instance, the dealer obviously overbought, was using a "death date" system, or otherwise found merchandise which was in danger of falling into the slow-sellers classification then the disposal suggestions in Table IV might be used. The reason for this is twofold. First, for most items the exact time when merchandise becomes a slow-seller is not precisely known. Second, if the policy of taking an early but smaller loss is used, then the items are disposed of while having a greater value than if they were held until obviously of the slow-selling merchandise classification. This is to say that some retailers might call something a "dog" or a slow-seller before other retailers would.

Each alternative in Table IV will now be discussed in order, giving at times both the advantages and disadvantages of each. How the retailer, especially the clothing and wearing apparel retailer, might implement the different alternatives in solving his problems of slow-sellers is given also. If too many slow-sellers are constantly a problem, then the retailer would do well to take a second look at his entire store and its merchandising policies. He might ask himself if the store is impressive from the outside, clean and attractive, as well as the inside? If customer traffic is poor, then the problem lies elsewhere unless the cause of poor traffic is due to poorer quality and damaged store image from too many slow-sellers which could not be moved.

Markdowns. Taking a markdown is probably the first thing that most retailers think of when faced with the problem of slow-selling merchandise.

Apparently this is by far the most commonly used solution to the problem. Many readings talk of markdowns as the only means of moving such merchandise. As will be seen later, this does not necessarily have to be the case. One successful retailer said, "It requires no ingenuity to take a markdown. In fact, the markdown route is the lazy man's way to profitless operations."¹ Resourceful individuals may use some of the other alternatives listed in Table IV.

However, markdowns are used, and it should be mentioned in defense of markdowns that their simplicity and ease of use may be the very factors which merits their frequent use by most retailers. The criticism which might be valid is that there are several alternative types of markdowns which are often neglected. One such alternative might be the granting of markdowns to the employees. This can provide an improvement in morale and create an atmosphere of good-will. This alternative might be implemented at a time when regular store sales are not in effect or called for. The lot may be small enough, but of good enough quality, that the employees can move it all through the use of a generous markdown.²

Markdowns to customers seems to be the natural course of action to take. Even here such factors as the time and size of markdowns are important, and may be overlooked by some retailers. Timing is particularly important in the clothing and wearing apparel business, since such

¹William R. Davidson and Paul L. Brown, Retail Management, Ronald Press Company (New York, 1960, ed. 2), p. 416.

²John W. Wingate and Elmer O. Schaller, Techniques of Retail Merchandising, Prentice-Hall, Inc. (Englewood Cliffs, New Jersey, 1956), p. 310.

merchandise often has fashion and/or seasonal character to it. If the fashion trend or season is coming to an end or has just ended, then the unsold items should be marked down without delay. As mentioned before, the earliest loss may be the smallest and the goods seldom improve or sell better with age. However, in the clothing and apparel trade there are also several products which are called staples. These items are usually in demand throughout the year.³ Whether the slow-selling merchandise is a staple or a non-staple, prompt reductions in price usually require smaller reductions, frees working capital, and makes way for new merchandise.

Occasionally delays in taking markdowns are sometimes desirable in disposing of slow-sellers.⁴ The reason is not that the situation will improve any, but because the store holds only periodical bargain or clearance sales. This is true of some clothing and apparel stores whose image might be damaged by frequent markdowns.

One of the most difficult decisions in granting markdowns is in deciding what size reduction in price is needed to move the slow-selling merchandise. There are apparently no ideal solutions. The particular situation differs from time to time. When large quantities are involved it is often advisable that the price reductions be moved progressively downward. The best rule to follow would be to dispose of the slow-sellers as soon as possible by marking the price down sufficiently to a point where it will be attractive and of value to the consumer (who would not likely buy it at the prevailing price).⁵

³Davidson and Brown, p. 417.

⁴Ibid., p. 419.

⁵Ibid., p. 420.

Comparative pricing is commonly practiced in using markdowns, and may effect how well the slow-selling merchandise can be quickly sold.⁶ For purposes of this study comparative pricing is the giving of a price figure in comparison with the actual selling price of an article, which attributes to that article a current value higher than the actual selling price.⁷ The use of a new price against the old allows the customer to compare prices and evaluate what kind of bargain he thinks he is getting.

Give-aways. An alternative means of disposing of slow-sellers is to just give them away. Gifts to employees may be given for the same reasons as a generous markdown might be given. Namely, morale, goodwill, and in order to move a small number of odds and ends. In the clothing and apparel retail stores this would probably involve some of the lower price items, particularly staples, and would not be used very much. The stores may prefer to sell them to a "bargain store" representative which is discussed later.

Gifts to charitable organizations have some distinct advantages. Primarily, they have the advantage of creating good public relations. Donations of slow-selling merchandise to charitable organizations are not only a means of moving out such merchandise, but when given by the charity to those who need it, the clothing will probably be appreciated more than would otherwise be the case. Finally, there may be a tax advantage. The donations are deductible if the merchandise has not been completely devalued in inventory.

⁶Wingate and Schaller, p. 196.

⁷"Comparative Prices," A Guide for Retail Advertising and Selling, Association of Better Business Bureau, Inc. (New York, 1950), p. 6.

Promotional Price Markdowns. The use of contests, get-the-second-for-a-penny (or free) sales and other such promotional methods in moving slow-sellers are simply different forms of markdowns. Such practices as this and others that follow might be called give-aways. That is, the customer feels he is getting or has a chance of getting something extra at essentially no extra cost. Whatever one chooses to call them, they can be and have been effective in moving slow-selling merchandise. Prize contests can be very effective, such as Walley's "Mystery Tag Day," promotion held on the first Tuesday of each month.⁸ Slow-selling merchandise is tagged with yellow "mystery tags" and the name and address of each purchaser of the slow-sellers is written on the back of the yellow tag. The following day, three names are drawn from a box containing the yellow tags, and merchandise credit of \$25, \$15, and \$10 are given respectively. The contest may run for several days depending on the season and the condition of the inventory. In this case, the markdown is in the form of merchandise credit.

Other examples of promotional price markdowns are such practices as:⁹ (1) selling the first article of slow-sellers at original retail price but offer the customer the second of his choice from the slow-selling stock for a penny (or free); (2) offering items 3 for \$25 when they were \$10 a piece originally; or (3) giving the slow-sellers away free with every X dollars worth of regular purchases. By now it should be apparent that the clothing and apparel retailer is limited only by

⁸ Jane Cahill, The Backbone of Retailing, Fairchild Publications, Inc. (New York, 1960), p. 91.

⁹ Ibid., pp. 79-99.

his type of operation and his imagination. The owner usually can easily carry out these promotion plans himself with relatively little cost or time.

A good tie-in product is one that suggests the purchase of another product and can be used to sell slow-selling merchandise. For example, one might place the slow-selling blouses, which have been marked down, near the popular skirts so that the customer will look for a matching blouse. The danger of using tie-ins in this manner might be to pull down the sales of the popular items rather than increase sales of the slow-selling items.¹⁰

A variation of the tie-in is to actually combine related items and sell the unit at one price. One of or all of the related items can be those items which are slow-sellers. These could be called packaged deals or combined packaging markdown promotions. The offering of three \$10 items for \$25 may also be classed as a package deal. This alternative (or the tie-in) may sometimes be used successfully, however, without any price concession or markdown.

Tie-ins, package deals, or even regular percentage markdowns, with or without price comparisons might be placed on bargain tables. The bargain tables can be in effect during regular periods which may seem advantageous, or they might be a continuous every-day practice.

The type of promotional price markdowns given to employees may include those that the customers receive or variations of them. A common additional alternative involves stimulating the salespersonnel to sell slow-selling merchandise through the use of peremium money (PM).

¹⁰Wingate and Schaller, p. 314.

PMs are bonuses given to a salesman for selling specific articles, usually slow-sellers. The advantage to using PMs is that a bonus on one dollar may sell much more slow-selling merchandise than a markdown of one dollar.¹¹ However, the following disadvantages should be considered:¹² (1) the customer might be sold something he really does not want; (2) a large amount of returned merchandise and a number of complaints may result; and (3) general ill-will as a result of high-pressure selling may be generated.

Promotional price markdowns can also involve charities. For instance one clothing store reduced the price of its slow-selling merchandise at the rate of one dollar a day and advertised this policy along with the fact that when it reached zero, it was going to charity.¹³ Another way is to announce that a given percentage of the sales on slow-movers will go to a local needy charitable organization.

Sell to "Bargain" Stores. There are dealers who make a speciality of buying slow-selling merchandise from other stores. The prices they pay are usually fairly low, but they do provide an immediate way of disposing of the entire group of slow-sellers.¹⁴ The stores in which such merchandise is resold are usually "bargain" stores whose image is that of an outlet facility for merchandise other stores did not want. By using this alternative, the retailer can maintain customer confidence

¹¹Ibid., p. 313.

¹²G. Henery Richert, Retailing, Principles and Practices, McGraw-Hill Book Company, Inc. (New York, 1954), p. 470.

¹³Cahill, p. 80.

¹⁴Wingate and Schaller, p. 311.

and protect the store image if these are important characteristics of his store. Also retailers often buy from other retailers.¹⁵ This is done either directly or through an auctioneer. Non-common customers should be a necessary precaution to avoid embarrassment later. Such transactions take place because often one store of two similar types can sell a product line or item well, while the other cannot.

Raise the Price. Almost everyone has heard a story about someone moving previously slow-selling merchandise by raising the retail price of the merchandise. Consumer behavior and values might have been different in their attitude toward that particular item than the retailer thought. Maybe in trying to give his customers a good buy, the idea of inferior quality was related and therefore failed to sell. Obviously this alternative is seriously limited in its use and should be implemented only when it is really felt the customer would rather pay more.

Promotional Gimmicks. In conjunction with markdowns or some of the other alternative methods of disposal, there are many promotional gimmicks which have been used to clear out slow-selling merchandise. These promotional gimmicks are naturally directed at the consumer, usually with the support of advertising. The salesforce, store display, and sometimes the entire business section are often instrumental in the use of promotional gimmicks.

One particular gimmick directed at the consumer is used surprisingly often by retailers. The gimmick is to use humor with an advertisement and admit some cause of slow-selling merchandise. The results are very

¹⁵Ibid.

satisfactory such as with one store that sells clothing and wearing apparel. Twice a year this store holds "Stein's Follies."¹⁶ They advertise everything from customer returns to "originally blue, but that was. . .years ago." Another store, by admitting a mistake frankly and interestingly, was able to move some neckties that could not otherwise be sold.¹⁷ "But the vital point here is that the customers were given a reason why, a readily understandable and acceptable reason why the merchandise was offered to them at a bargain price." Another clothing and apparel store had "Lemon Days" and served free lemonade, while still another had a "Dog Sale."¹⁸

A retail men's clothing store had once bought a limited number of extremely high quality suits and could not sell them until he hit upon the idea of advertising them for what they were, a limited edition.¹⁹ This sold the suits and boosted customer traffic. Numerous other examples could be given concerning watching competition, using a plain approach, tieing in with local events, etc. The point is, that imagination and probably a little courage can go a long way in moving slow-sellers quickly and favorably.

Hopefully, the spirit of the employees and salespeople can be obtained when using promotional gimmicks, and often a contest is run

¹⁶"Buyer Boners Parlayed into Bargain Ads," Editor and Publisher, February 6, 1960, p. 20.

¹⁷Samm Sinclair Baker, "Transforming a Big Mistake into a Big Success," Casebook of Successful Ideas for Advertising and Selling, Hanover House (Garden City, N. Y., 1959), p. 99.

¹⁸Cahill, pp. 79-99.

¹⁹Baker, "Changing 'Stale' to 'Sale'", p. 36.

to see who can sell the most slow-sellers. Often they are informal and no price of monetary value is given. Management sometimes sponsors contests involving some reward to the salesman who sells the most. In addition, the dress of the store personnel and the store display can create an atmosphere supporting the gimmicks being used.

Many communities hold some sort of "Crazy Days" periodically in which most of the stores participate. Promotional periods as this are commonly characterized by the stores carrying some real bargain items. This type of promotion not only draws people to town, but it also provides an excellent time to move out slow-selling merchandise. Some townwide affairs are organized explicitly for this reason. Often, the individual stores will arrange their displays to fit some store theme in the spirit of the townwide event. Some large retailers even hold their own store "Crazy Days" in which the stores display is arranged to relate some central theme and attract customer attention.

Non-Price Alternatives. Up to this point, most of the suggested alternatives for disposing of slow-selling merchandise have involved some sort of price concession. This need not always be the case. Poor store presentation can be improved upon by proper displays and supportive advertising. The salespeople themselves may need a pep talk to get them to actively push the sale of slow-moving merchandise. Training of the salespeople may be needed. This can be an elaborate program or simply sales meetings in which selling techniques are discussed. If the merchandise is being inadequately presented to the customer, a discussion of particular slow-sellers may be needed. The salesman should be interested in promoting slow-sellers and have a

feeling for the type of customer who might buy it.²⁰

Some retailers may find they can return some goods to the seller. This may be the case when the right order is not received or delivery is late. Some manufacturers would prefer having their goods returned rather than placing them on sale. The very small retailer may not be able to return merchandise.

The use of advertising in moving slow-selling merchandise is usually done in conjunction with other alternatives in Table IV. Advertising of specific slow-selling merchandise at regular markup may be successful. This can be dangerous if the merchandise is bad and not what the customers want. The possibility of heavier losses by advertising a few specific slow-sellers should be weighed carefully before using this alternative.²¹

Various store display ideas will move slow-selling merchandise. The idea may be very simple and surprisingly effective. When unusually large quantities of slow-sellers must be moved, location of the goods in the prime traffic or display area may move them sufficiently. This might be used in cases of large overbuying errors. Changes in display of slow-sellers and locating them in prime traffic areas is probably often accompanied by markdowns.

Ask for Suggestions. Most retailers, the smaller ones in particular, are seldom experts in all merchandising fields. In a particular situation where it is desired to dispose of some slow-sellers, suggestions from

²⁰Wingate and Schaller, p. 313.

²¹Arthur Lee, "Brilliant Ads Can't Sell Bad Goods," Advertising Age, XXXI, May 2, 1960, p. 196.

others can be fruitful. Often customers voluntarily offer their advice. If it is a well-known regular customer, the retailer may ask the customer for his ideas. Most customers are not merchandising experts, but they buy the goods and may provide clues as to why seemingly good merchandise will not sell. The same sort of advice should be asked of the store's employees. The manufacturer representative or salesman can often give effective suggestions. It is their product which is involved and they have had a chance to see how other retail stores are handling certain merchandise.

Less Desirable Alternatives. Practices are sometimes used which attempt to "hoodwink" the consumer. Though their use is not advised, it might be successful--once. One such practice might be to use false price comparisons by padding the "original" price tag and give the impression of a larger markdown than really exists. Another is to imply quality where it doesn't exist.²² This might be done by mixing good and bad items together which from outer appearances may appear the same. An example would be when a seasonal slow-seller is held over an entire year and then displayed with the new merchandise implying that it is also new merchandise. The potential ill-will and loss of customer confidence should be seriously weighted before a retailer uses such practices. Repeat customers, particularly in many clothing and apparel stores, are too important.

Even though it is over 15 years old A Guide for Retail Advertising and Selling (see footnote 22) provides the retailer with a lot of do's

²²"Comparative Prices," A Guide for Retail Advertising and Selling, Association of Better Business Bureaus, Inc. (New York, 1950), p. 5.

and don'ts about merchandising practices. Included are laws and legal rulings about retailing in general. Specific areas, such as men's clothings, are also included.

Results of Stillwater Survey

The survey results on Stillwater, Oklahoma's clothing and wearing apparel stores shows a wide variety of attitudes by managers toward the disposal of slow-selling merchandise. Some stores have characteristics which limit their approach to the disposal of slow-sellers. For this reason there are some methods these stores do not use that others do. This trend can be seen from both the timing in taking action on the disposal of slow-sellers and on the actual disposal of slow-sellers. These variations usually occur within the four classes and not between the classes.

When Action is Taken. How quickly different stores take action varies. This variation may not only be due to store characteristics, but also due to the cause and magnitude of the disposal problem. There is a great deal of personal judgment involved. Generally, about 50 percent of the stores take action soon after the slow-sellers are detected. This does not mean that they always take quick action. Often they will delay taking steps toward disposal, but the majority of the time steps are taken within two or three days. These stores consist largely of the higher volume stores which carry a wide product line. The shoe stores and the University campus stores apparently do not take action as soon, but will often try to move out slow-sellers sometime during the "selling period" rather than at regular sales. In addition, the majority of the campus stores will hold sales before

the spring semester commences. This may be regarded more as a preventive measure against slow-sellers.

The rest of the clothing and apparel stores will occasionally take quick action in moving out slow-sellers. More often they will wait until the next regular sales period. Even this varies. Seventeen percent of the stores have frequent sales in which the majority of the slow-sellers are marked down, along with some good merchandise. The frequency of these sales are at least once a month with dollar-days, founders day, anniversary sales, and other such promotions scattered in between. Twenty-five percent of the stores usually wait until the end of the season to move out slow-sellers. One of these stores is a lady's dress and wearing apparel store. The others are men's clothing stores. Each of these stores are characterized as selling high quality merchandise, thus their prices are also higher than other stores in their class. The reason that this group does not take action sooner is because frequent markdowns and sales might damage consumer confidence and the store image.

Another reason why some stores do not take action sooner than they do is because they feel their traffic volume is not high enough to move out slow-sellers, even at reduced prices. It was expressed that they would rather collect such merchandise and make one big effort. This was one retailer's opinion even though he believes the first markdown taken is the least costly and the sooner it is taken the better. Others just expressed the idea that they did not think it would be beneficial if action was taken any sooner.

Criteria Used. Before getting into the actual means of disposal used by local clothing and apparel retailers, the criteria used in

deciding what means to use will be discussed. Sixty-three percent of the respondents said judgment, and the particular situation, usually were the factors in deciding what disposal methods would be used. This group, but mainly the remaining thirty-seven percent, expressed additional criteria. Some stores use patterned markdowns where the merchandise is marked down a given percentage the first time, a lower percentage the second, and so on until it is sold or otherwise moved. Another store has a maximum markdown percentage which it tries to keep under. Other managers often follow a sequence of steps using different disposal methods. For example: (1) change display and move location; (2) use PMs; (3) use markdowns.

Disposal Alternatives. The actual alternative methods of disposal used by Stillwater, Oklahoma, clothing and apparel stores are given in Table V. The percentage number of stores using each alternative is also given in the first column. The percentage of stores that expressed an alternative as the usual or major method of disposal is given in the second column. The third column gives the percentage of stores which use a particular method as a last resort, after several other attempts have not worked. The third column is the only one which will total 100 percent. More than one method was expressed by most stores to questions that were used in compiling the first two columns. As each alternative is discussed, the reason particular stores may or may not use that alternative will be given when it appears to have significance. The reader will note that there are omissions from Table V which makes it different from Table IV. This is because the omitted alternatives are not used by any of the stores interviewed. It should also be mentioned that some of these methods may be used in

TABLE V
 THE PRACTICES OF STILLWATER, OKLAHOMA, CLOTHING AND
 APPAREL STORES USED IN THE DISPOSAL OF SLOW-SELLERS*

Disposal Alternatives	Do Use (%)	Major Use (%)	Last Resort (%)
A. Markdowns to customers	96	96	46
B. Give-aways to charity	33	--	17
C. Promotional Price Markdowns			
1. To customers	38	--	--
a. Give-aways	4	--	--
b. Tie-ins	29	--	--
c. Combined packaging	17	--	--
d. Bargain tables	38	--	--
2. To employees (PMs)	33	12	--
D. Sell to "Bargain" Stores	46	8	37
E. Promotional Gimmicks			
1. Advertising	29	--	--
2. Salesforce (contests)	25	--	--
3. Townwide	71	29	See A
4. Store display	17	--	--
F. Non-Price Alternatives			
1. Train personnel and sales meetings	38	4	--
2. Return to source	38	--	--
3. Advertising	29	--	--
4. Change display	33	21	--
5. Move location	33	21	--
6. Carry over to next selling season	8	--	--
G. Ask for Suggestions			
1. From customers	38	--	--
2. From sales help	75	--	--
3. From manufacturers' salesmen	75	--	--

*Percentage totals greater than 100 since most stores gave more than one means of disposal.

everyday promotion. The figures given here are only for alternatives that are used in the disposal of slow-sellers.

All of the respondents, except one (4%), expressed the idea that giving markdowns is one of the major methods used to move or dispose of slow-selling merchandise. The one exception is a store which carries largely staple items and the manager does not feel he has to worry about slow-sellers. However, in our conversation it was related that at least three items were moving slowly. He just keeps them in stock until they sell, or eventually sells them to a "bargain" store buyer. Forty-six percent of the stores use markdowns as the final means of disposing of slow-sellers. That is, this group feels that the merchandise "will move at some price" and would rather give the customer the merchandise rather than use some other means of disposal. The townwide "Crazy Daze" is one event when many stores do nearly have a give-away. If they have to move slow-sellers before this annual event, then the managers just keep marking them down until they sell.

One of the major reasons why the stores do not give employees markdowns on slow-selling merchandise is that most of them give employees discounts on all merchandise anyway. Some employees can even get merchandise at cost to the store. The employees can buy merchandise at either the reduced price or their regular discount, depending on which costs them the least. In addition, several of the stores employee staff may be too small to make markdowns to employees feasible.

A third of the stores will occasionally give slow-selling merchandise to charity organizations. This was not mentioned as a usual or major method by any of the stores and seventeen percent will donate

only as a last resort. The amount of donations by the different stores runs in varying degrees. The shoe stores (Class II) usually do not donate slow-sellers to charity. This is because what they have to offer are often odd sizes which probably would not fit most recipients.

Promotional price markdowns to customers are not used as much as was expected. Some stores mentioned that such practices as tie-ins 2-for-1 sales, etc. were used a lot at one time but stores quit using them for some reason. Perhaps they were used too much and customers became indifferent to them. The exclusive high quality, low volume stores said they did not use promotional price markdowns to customers because they wanted to protect the image of an exclusive, high quality store. Those stores which do use one or more of the promotional price markdowns to customers, do so to varying degrees and never as a major means of disposal. Tie-ins and combined packaging are not used with young and teen girl clothes because they often wear a different size pants than top.

A third of the stores do use price concessions to employees, in the form of premium money (PM), in order to move slow-selling merchandise. All but one of the shoe stores are represented among those stores which use PMs. Twelve percent of the stores use PMs as one of the major methods to dispose of slow-sellers. The most common reason given for not using PMs was that the particular store was of such a size that the employees had to do other things than sell and if PMs were given they would all want to be on the selling floor and would not do their other work well.

Selling slow-sellers to representatives of "bargain" stores is used by a large number (46%) of the stores interviewed. However, most

of these stores use this alternative means of disposal only as a last resort. Only eight percent of the stores commonly sell to "bargain" stores as a major means of moving slow-selling merchandise. Oddly enough the "bargain" stores even have a "junk" store outlet which they sell to. Seldom does any of the local slow-selling merchandise become the stock of the local "bargain" stores. One of the major reasons given for not using "bargain" stores' buyers was that the managers would rather pass on the savings in reduced prices to their own customers. They felt that bargain store buyers offer too little for the merchandise they get. The price is always substantially below cost. The larger stores do not sell to bargain stores, but just keep reducing the price. One store does deal with another retailer. The other retailer is a similar type store in a different town. They will get together about once a week and go over what the other cannot sell. Afterwards they will often "trade" for items and items are moved in one store which would not move in the other. The manager thinks this relationship has been successful and profitable.

The use of promotional gimmicks is not very widely used except for the annual Stillwater "Crazy Daze." Most of the downtown stores participate in this event and twenty-nine percent of the stores use it as a major means of moving the real bad slow-sellers. The seven stores (29%) which do not participate in "Crazy Daze" are either campus stores, in University Square, or are on a side street or a few blocks from the main downtown area. Eliminating these stores, then 41% of those who do participate use it as a major means of disposing of slow-sellers.

Some of the stores (29%) have used promotional advertising with markdowns occasionally to move slow-sellers. This is done most often

when these stores are overstocked. Sixty percent of the Class IV, or large stores, have used this method to correct obvious overbuying errors. Whether the advertisements were real promoters or just pushed the overbought items hard, is not known. In the first section it was noted that some real imaginative ideas have been used in this area. It is not known whether or not the local promotional gimmick advertising bears this quality. Some of the stores also occasionally will have contests among store personnel and hold special store displays in order to move slow-sellers.

The non-price alternatives of disposing of slow-selling merchandise are used by several of the stores. Thirty-eight percent of the stores train personnel and/or hold sales meetings in order to help move slow-sellers. One store which believes that their buying is good and that there is a customer for all their merchandise, uses this method as a major means of disposal. Many of the stores who do not use this method are small stores which are owner operated and employ only a very few people. These people do not seem to find meetings necessary and think everyday contact on the selling floor is sufficient.

Thirty-eight percent of the respondents expressed the fact that merchandise is sometimes sent back to the source. In the case of shoe stores, this is usually when the "fit" isn't right. That is, an eight shoe does not fit like it should and there is an obvious error in the manufacturer's design. In other cases, merchandise is returned due to late deliveries. Occasionally a manufacturer has requested the merchandise be sent back rather than have it sold at a discount at a time other than the regular sale period. The larger stores (Class IV) do not return merchandise to their sources. This is true mainly because

the immediate source is the company's head buying offices. These stores are usually required to take the merchandise they receive or order and move it the best they can. Seldom are slow-sellers returned by these stores.

Twenty-nine percent of the stores have used advertising in trying to move slow-sellers. This is different from the store who uses advertising and markdowns together in promotional gimmicks. Some of the stores use both. One store has a customer list and sends them postcards notifying them of new merchandise that has arrived. The same store uses these postcards to notify its customers of markdowns in which they might be interested. Another store found itself overstocked and called in a professional sales promoter who helped the store successfully move out the merchandise.

Changing displays and moving the slow-selling merchandise to a new traffic area is a method used by a third of the managers interviewed. Twenty-one percent of the stores use this as a major means of disposal, sometimes even before marking the goods down. No one class is strongly represented as using this method for almost every kind of store has used it. A small percentage (8%) of stores will hold over merchandise until it is in season again and try to sell it with their new merchandise. This could be dangerous if these stores have very many repeat customers who are familiar with what the store has had to sell.

Three-quarters of the stores will ask for or listen to suggestions from others concerning the disposal of slow-selling merchandise. Such information is sought more from manufacturers' salesmen and sales employees than from customers. Surprisingly, some of those who do not ask for suggestions from others expressed a distrust in salesmen. One

went so far as to call them dishonest. There does not seem to be a good relationship between buyer and resource in the above stores. Such a relationship is felt by many as necessary and advantageous.

As has already been observed in certain cases, most stores feel they have an image or reputation which they must protect under which they must operate. A few of the stores are trying to change the image they have. The reason some stores do not use certain disposal methods that others do may be due to limitations in keeping with a store image. Others may not use some alternative methods because they already use several and cannot use them all. However, it is the opinion of the author that change, in both image and disposal methods used, can lead to more profitable operations for some stores.

CHAPTER VII

SUMMARY AND CONCLUSIONS

The problem of how to handle slow-sellers has been analyzed in this report. Primary and secondary sources were used to aid in the analysis. The primary source of data comes from interviews with Stillwater, Oklahoma, clothing and wearing apparel store managers. An unstructured questionnaire was used by the interviewer in obtaining data from the respondents. This primary material was used largely to compare with what had been found in the literature concerning the handling of slow-sellers. The secondary research was not limited to clothing and apparel stores. For purposes of presentation the main problem of how to handle slow-sellers was broken down into subproblems as follows: (1) determining the causes of slow-sellers; (2) the detection of slow-sellers; (3) the prevention of slow-sellers; and (4) the disposal of slow-sellers. The last subproblem was the major area of emphasis.

It was found that mistakes in buying are probably the major causes of slow-sellers in retail stores. There are different types of mistakes which can be made in buying. Apparently in the Stillwater, Oklahoma, stores overbuying and purchasing errors are the most common mistakes. To prevent such errors the retailer can, in addition to developing better buying procedures, copy the independent grocer. This can be done by acquiring the services of such an office beneficial while still

still maintaining independence. The Stillwater clothing and apparel stores do not use the services of resident buying offices. The reason stated by the merchandisers was that they attend manufacturers' showings of new lines in Dallas, Texas, where all the displays are in one large building. Some of the stores could still improve their purchasing practices. One way in which they may be able to do this is establish a good relationship with a good resident buying office.

Pricing and selling errors can also lead to having slow-sellers in a store. Retail prices can be too high or too low. Selling errors can be in advertising, can be due to poor store display, or can be due to inadequate presentation by the sales employees. Only one store mentioned a selling error as one of the causes of slow-sellers in his store. This low recognition of selling errors was surprising. This writer believes that perhaps the respondents were reluctant to admit they might be poor merchandisers and therefore biased the results.

Other causes of slow-sellers in the clothing and wearing apparel trade are changes in styles, fashions, and fads. A large number of the respondents felt these were major reasons for slow-sellers in their stores. However, the real problem may exist in buying procedures.

It is felt that a good inventory system can go a long way toward helping the retailer detect slow-selling merchandise in his store. Such a system might be a unit control system. This system can be made as easy as desired depending on the size of the store. The important thing is that it be complete and well kept. By doing this, the retailer is also taking a step toward preventing slow-selling merchandise in his store. This is because he can detect weak points in his operations and take action to correct them. When inventory is taken usually

depends on the individual retailer. When it is taken, a list of slow-sellers should be compiled. Then the group of items which are on this list should be inventoried at least once a month. This type of list is often called a slow-moving merchandise (SMM) sheet. These procedures can be greatly facilitated through the use of a merchandise dating system. By this is meant that merchandise be code-dated in some manner when it is received. This allows the retailer to keep better track of how old specific items of merchandise are. Turnover rates are also used along with inventory control in detecting slow-sellers.

From this survey it is apparent that some of the Stillwater clothing and wearing apparel merchants are not as aware of the importance of good inventory control as they should be. This is true of small stores, who feel they "know" their merchandise well and not use inventory control to detect slow-sellers. A large number of stores do code-date merchandise but do not use this information very often in detecting slow-sellers. There also seems to be an infrequent use of turnover rates. Not many of the stores mentioned they kept up a SMM sheet.

The major preventive measures against slow-sellers that a retailer might use have been discussed in connection with the causes and detection of slow-selling merchandise. Briefly these are better buying procedures, the use of resident buying offices, the use of an effective inventory control system, and maintenance of a record of slow-sellers through SMM sheets.

Of major concern to retailers is the problem of how to dispose of slow-selling merchandise. The best advice is to dispose of it as soon as possible after it is discovered. This may vary depending on the store. Stores which have an image of selling quality merchandise will

usually not take action to dispose of slow-sellers as quickly as other stores. This is especially true when the method of disposal is the granting of markdowns to the customers.

The use of markdowns are the most commonly used methods to move slow-selling merchandise. Markdowns can be used in various ways. Sometimes the retailer fails to recognize the advantages of some of the alternative ways of using markdowns. A given percentage markdown from original retail price is probably the easiest and most common way in which they are used. However, promotional price markdowns may at times move slow-sellers better. This type of markdown is limited only by the retail manager's imagination. Examples would be 2-for-1 sales, free merchandise contests, tie-ins, and combined package deals. Many stores use regular bargain tables on which marked down slow-sellers are placed. These are all directed at the consumer. The type of markdown which involves the sales employees is called premium money (PM). PMs are bonuses granted to sales personnel for selling certain slow-sellers. PMs have the advantage that a dollar bonus to an employee may move more merchandise than a dollar markdown to customers. Most of the shoe stores interviewed use this method of disposal.

Another widely used method of disposal is the donation of slow-sellers to charitable organizations. Some stores interviewed use this outlet only as a last resort when all other efforts fail.

Selling slow-sellers to "bargain" store buyers is another common means of disposal used by store managers interviewed. Like donations to charity, most managers that use this method of disposal have done so only as a last resort. Even the local bargain stores have "junk"

outlets. One store deals with a retailer whose operations are similar to his. They often "trade" slow-sellers and each can move merchandise that the other could not.

The literature has several examples of promotional "gimmicks" which are used by some retail clothing and apparel stores. Not very many of the stores interviewed use such gimmicks. However, the stores located in the main part of town do participate in the local townwide "Crazy Daze". This is a very popular event and is used by the stores to move out real bad slow-selling merchandise at greatly reduced prices. It is felt that with some imagination, many of the stores interviewed could more effectively move slow-sellers by using some advertising "gimmicks" of their own. These could be conjunction with promotional price markdowns or regular markdowns. A common method related in the literature is for the store to admit freely the cause for the slow-sellers that are on sale. This is sometimes done with humor and gives the consumer a reason why the goods are being offered at reduced prices.

There are non-price alternatives which the retailer might use to dispose of slow-selling merchandise. It is believed that one area which can be improved upon by some local clothing and wearing apparel stores is in the training of sales personnel. This is on the assumption that selling errors are a larger cause of slow-sellers than was expressed by the stores interviewed. The store personnel should know the store, its merchandise, and the type of customer which is likely to buy the store's merchandise.

Two other non-price alternatives widely used by Stillwater clothing and apparel stores are to change displays of slow-sellers and to move

them to new traffic areas. Twenty-one percent of the store managers interviewed use these methods as major means of disposal. These results are interesting especially when none of these store managers thought a selling error in the form of poor store display was the cause of slow-selling merchandise. Often an attractive display of slow-sellers in a good traffic area will move them. The danger might be that it is extremely poor merchandise and will just take up prime space in which a good-seller could be placed.

Suggestions from salesmen and sales employees are usually considered by three-quarters of the stores interviewed. They seek the suggestions of consumers less. The manufacturer's representative salesmen can often be helpful because he knows the merchandise, how it is selling elsewhere, and the displays and promotions that other stores are using to sell it. Sales employees are in direct contact with the problem and can often come up with successful ideas to dispose of slow-sellers.

There are several reasons why one store will not use some alternative methods of disposal that are used by other stores. Certain store characteristics may limit the methods of disposal available. An example would be shoe stores which usually do not donate slow-selling shoes to charity. The reason is that it would be hard to find someone who could use some of the odd sizes which would be among the slow-sellers. Another big factor which limits some stores' methods of disposal is store image. High quality stores usually will not hold sales and use markdowns as frequently as some other stores. This is because they wish to maintain consumer confidence and protect the store image.

BIBLIOGRAPHY

- Baker, S. S., Casebook of Successful Ideas for Advertising & Selling, Hanover House (Garden City, N. Y., 1959).
- Broom, H. N., and Longenecker, J. G. Small Business Management, South-Western Publishing Company (Cincinnati, Ohio, 1961).
- "Buyer Boners Parlayed into Bargain Ads," Editor and Publisher, February 6, 1960, p. 20.
- Cahill, Jane, The Backbone of Retailing, Fairchild Publications Inc. (New York, 1960).
- Carson, David, "Guide for Constructing a Merchandising Policy," Journal of Retailing, Winter, 1961-62, pp. 24-29.
- "Comparative Prices," A Guide for Retail Advertising and Selling, Association of Better Business Bureaus, Inc. (New York, 1950).
- Cornish, N. W., "Extent and Causes of Markdowns in Single-Line Stores," Journal of Retailing, Winter, 1955-56, pp. 192-92.
- Dakins, J. G., "Management Perspective," Stores, XLIV, July-August, 1962, p. 3.
- Davidson, R. D., and Brown, P. L. Retailing Management, The Ronald Press Company (New York, 1960).
- Dewing, M. E., "Internal Control of Retail Inventories," Retail Control, XXXIV, April, 1966, pp. 21-24.
- Flanel, Sam, "The High Cost of Low Stock Turnover," Stores, XLVI, September, 1964, pp. 15-16.
- Goldenthal, Irving, "Stock Management in Small Stores," Small Marketers Aids, annual no. 3, Small Business Administration (Washington, D. C., 1961), pp. 20-26.
- Jarnow, J. A., Fashion is Their Business; Readings From the Fashion Business, Fashion Institute of Technology (New York, 1961).
- "Joseph & Feiss Starts Dating its Men's Suits a La Detroit Car Models," Advertising Age, XXXV, August 3, 1964, p. 31.
- Lee, Arthur, "Brilliant Ads Can't Sell Bad Goods," Advertising Age, XXXI, May 2, 1960, p. 96.

- "Management Audit for Small Retailers," Small Business Management Series No. 31, Small Business Administration (Washington, D. C., 1964), pp. 12-21.
- Myers, Roy, "Turnover Improvement," Stores, XLII, February, 1960, pp. 30-31.
- Projan, Ben, Grass Roots Retailing, Fairchild Publications, Inc., (New York, 1962).
- Richert, G. H., Retailing, Principles and Practices, McGraw-Hill Book Company, Inc. (New York, 1954).
- Sherman, K. N., "Inventory Control," Small Business Bibliography, Small Business Administration (Washington, D. C., September, 1964), pp. 1-12.
- Troxell, M. D., Fashion Merchandise Training in Two-Year College Retailing Programs, Master of Science Thesis, New York University (1962).
- Wingate, J. W., and Frieland, J. S., The Management of Retail Buying, Prentice-Hall, Inc. (Englewood Cliffs, N. J., 1963).
- Wingate, J. W., and Schaller, E. D., Techniques of Retail Merchandising, Prentice-Hall, Inc. (Englewood Cliffs, New Jersey, 1956).
- Wingate, J. W., and Weiner, J. D., Retail Merchandising, South-Western Publishing Company (Cincinnati, 1963).

VITA

Phil Gary Hanel

Candidate for the Degree of
Master of Business Administration

Report: A STUDY OF SLOW-SELLING MERCHANDISE IN STILLWATER, OKLAHOMA,
CLOTHING AND APPAREL STORES

Major Field: Business Administration

Biographical:

Personal Data: The author was born in Twin Falls, Idaho, on August 23, 1940, the son of I. A. and Grace Hanel. On June 8, 1963, he married Peggy Ann Didier.

Education: The author attended grade school at St. Edwards in Twin Falls, Idaho, and graduated from Twin Falls High School in 1958. He entered the University of Idaho, Moscow, Idaho, in 1958 from which he graduated with a degree of Bachelor of Science in Chemistry in 1962. He was admitted and entered the Graduate School of Oklahoma State University, Stillwater, Oklahoma, in the fall of 1962 from which he received the degree of Master of Science in organic Chemistry in 1966. He was accepted for graduate study in the College of Business at Oklahoma State University in the spring of 1965 where he is a candidate for the degree of Master of Business Administration.

Professional Experience: The author was a graduate teaching assistant in Chemistry the 1962-63 and 1963-64 academic years. He served as a graduate research assistant during summer and fall terms of 1964. He was a graduate teaching assistant in business during the spring term of 1965 and the 1965-66 school year.

Membership in Professional Societies: The author is a member of the Phi Lambda Upsilon, Honorary Chemical Society.