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COLUMNS

How retail marketers can profitably clear inventory

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Jason Grunberg

By **Jason Grunberg**

About half of retailers in the United States are stuck with extra inventory, according to a **recent survey**.

The inventory issue is the product of a domino effect that has been building for a number of seasons.

The pandemic dramatically shifted consumer buying habits and created supply chain slowdowns.

After a short rebound, inflation has curbed retailer shopping.

Add it all up, and a lot of retailers are asking themselves the same question: How do they profitably clear out their excess inventory quickly and profitably so that they can smoothly make room for the next season?

The usual approach clearance sales are not going to help retailers get out of their current jam and build the runway they need to hit their longer-term goals.

While a sale might move some product in the short term, the **\$760 billion inventory glut** means that consumers will have a lot of clearances from which to choose.

It is better for retailers to create a smarter approach that outmaneuvers the clearances and makes meaningful connections with individual consumers based on the factors that matter most to them which is often not a low price.

Woo current customers with what they want

A clearance sale is a blunt instrument. Lower the price and more consumers will buy.

However, not every buyer is created equal. The bulk of a brand's total revenue comes from current active customers, which is only about 30 percent of its customer base, so it is in retailers' best interest to increase this active pool and focus marketing efforts on them.

The other issue with clearance sales is that it is an approach focused on product rather than shoppers.

Every customer or potential customer is motivated differently, and many of them want something other than a low price. A consumer survey found that 64 percent are influenced by factors other than price.

Here is where customer data comes into play.

With the right insights taken from past search and shopping behavior, loyalty data, survey data and partner insights marketers can start to understand what will drive higher sales without having to slash prices.

The right approach focuses on shoppers first and then matches the right products at the right price to those shoppers.

Find shoppers willing to pay full price: By combining discount preference data along with product affinity data, a retailer can identify customers who are likely to purchase the products they need to move at full price versus at discount.

Even without the combination of product data, just knowing who has the likelihood to purchase at full value is highly valuable.

Identify "hidden gem" products: Build a list of products that have high conversion rates despite not being heavily trafficked.

While merchant teams may want to feature high-priced items, it is often the right move to feature the products around those items for example, the throw pillows on the chair versus the chair itself.

These higher-conversion rate products might not make as much per sale, but drive opportunities for future growth.

Smaller, easier purchases provide more touchpoints with customers for more campaign testing, upsells opportunities and additional data collection.

Use "out of stock" items to drive purchases of what is in stock: Back-in-stock notifications are great, but marketers can also merchandise similar items through recommendations, especially those items that drive high inbound search or site search volume to move the items where stock exists.

Offering a marginal discount is something to test in this instance to determine if it drives velocity without significantly impacting margin.

Test "clear your cart" campaigns: If an annual sale is coming up, target customers with items sitting in their cart with a shammy discount a few weeks before the sale. Try a 10 percent discount versus the typical 25 percent of the big sale to get a better margin before the sale happens.

Expand from the core

Once a retailer has created campaigns and messages that deliver higher sales at better prices for current customers, it is time to expand the program to other audiences.

Sure, getting a one-time purchase from a new customer helps with sales in the moment, but if a more strategic approach is used, that purchase can end up being more profitable and create the beginning of a loyal relationship.

What works for a retailer's best customers might work for new customers that look a lot like them, even when there is not as much data about them.

Retailers need to use the insights from their current customer campaigns to build campaigns for lookalike segments. Brands such as Lulu and Georgia use their VIP audience as a model to find new customers that share similar traits.

Retailers can attract net new buyers with merchandising triggers such as low inventory and back-in-stock messages. These messages have a high level of urgency and typically perform just as well as an abandoned cart trigger.

What works for VIPs might also work for lookalikes, such as testing small price drops on high converting items.

New prospects are also great for testing interest in new arrivals. Even without past-purchase history, retailers can refine messaging based on items that shoppers have browsed or in which they have shown an interest.

WHILE AUDIENCE IS the primary focus of this approach, retailers can match these tactics to products based on sales goals.

For example, retailers can swap out products based on changes to the product catalog with regards to prices and stock status.

Through continuous testing, retailers can find the sweet spot that creates relevant messaging for every shopper while helping to hit sales goals.

*Jason Grunberg is chief marketing officer of **Bluecore**, Raleigh, North Carolina. Reach him at jason.grunberg@bluecore.com.*

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