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Apr. 11, 2014

When Rhonda Sawyer first opened her women's and children's clothing store, she was extremely focused on the price of individual items.

“My background was in accounting,” said Sawyer, who opened The Shoe Crate in Greenville about nine years ago. She would think, “I paid 'X' dollars for it, and I am not selling it unless I make 'X' dollars on it.”

Five years later, Sawyer didn't understand why she had trouble paying her bills. For help she turned to Ritchie Sayner, vice president of business development for RMSA, a California-based company that provides consulting services to independent retailers. Sayner asked Sawyer how many shoes she had in the sale room. Not many, Sawyer initially said, but the consultant made her count.

“I had 900 pair of shoes,” Sawyer said. While the shoes retailed for \$50, Sayner asked Sawyer to think how much revenue would come in if she sold them for \$10 each.

As the answer sunk in, Sawyer began to appreciate the larger concept of inventory management's impact on cash flow.

“I needed the \$9,000,” she said.

Markdowns move inventory

Overbuying and not addressing stagnant sales are common problems for small and midsize retailers. While some independent retailers are hesitant to turn to markdowns, it is a crucial tool in the retail market, Sayner said.

“These stores think they are losing money by marking something down,” Sayner

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done judiciously and with a plan.”

Best practices for markdowns start with owners understanding their customers' buying habits and sizes. Owners should divide their merchandise into categories — not vendors — and monitor their sales through their point-of-sale systems and by paying attention to the sales floor, Sayner said.

The Shoe Crate's categories included casual sandals, fashion sandals and boots. After working with the consultant, Sawyer, whose initial buying strategy was simply “fill the store,” looked at each category's revenue and set buying budgets based on those numbers. Sawyer's goal is to turn inventory three times annually.

Turnover strategy

How often a store should turn over its inventory depends on the market, Sayner said. For women's clothes, four turnovers is a good rule of thumb, but turnover for shoes, men's clothes, and jewelry will likely be less.

If items don't sell after a month on the floor, owners should mark them down at least 20 percent as it is more cost-effective to motivate buyers early in the season.

“The longer it sits there, the deeper the discount has to be,” he said.

Once the markdowns begin, they should intensify. If the item doesn't sell, owners have to admit they made a buying mistake, let it go and move forward.

At the end of each season, owners should consider a final storewide sale. Sayner, however, advises against putting everything on sale with the same percentage discount. Instead, he prefers storewide sales with new and more popular items reduced less, such as 10 percent, and older items and duds at 50 percent off or more.

“Then your average (customer) savings may be less than 20 percent,” he said.

In some cases, retailers may want to consider buying discounted items to bring in at

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The tough economy, however, forced her to get more organized and focus on her category sales. She also learned to take home items she loved or mark them down.

“That was helpful,” she said, in addition to featuring sale items on the store's website.

Meanwhile, promotional discounts, such as sending gift certificates with an expiration date to the best customers or clients who haven't shopped in a while, present another opportunity to show appreciation and motivate spending.

Donna and Lee Hankin opened Joint Venture Jewelry, a Cary consignment jewelry store, in 1998.

The store's consignment jewelry, generally priced below its market value, is rarely marked down, Donna Hankin said. The store will host a show and offer discounts on items from a traveling dealer or incorporate a coupon that would save the buyer money.

Once customers make a purchase, they are eligible for a \$100 coupon to spend on their anniversary and birthday.

The Hankins take a different approach with Peachy Keen, a women's clothing boutique they opened in 2012. The store, which shares its space with the jewelry store, offers 25 to 50 percent off sales and hosts annual sales in August and February.

“Just as the seasons change,” said Jen Hankin, spokeswoman for the family company.

Peachy Keen's customers also get 20 percent off purchases during their birthday month.

For Sawyer, owner of the Greenville shoe store, the category tracking and aggressive

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