

# DRIVING<sup>RETAIL</sup> SUCCESS

## Cash Flow is Critical! Transitioning to Fall

**PEARL IZUMI**

This editorial feature is sponsored by Pearl Izumi with Mercedes Ross.



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At this time of the year, apparel sales are slowing a bit and you're starting to think about 2011. You should be focused on three apparel-related topics:

1. Moving out the old
2. Presenting the new
3. Ordering for next Spring

### MOVING OUT THE OLD

Hanging onto old stock does two things—it clutters your apparel department and it stalls cash flow. You will hear more below from RMSA, the financial experts, about the cash flow. Here's some practical 'do it now' advice to de-clutter.

Each department now has its own sale rack, right? What goes on the sale rack are odd size run items, colors that didn't sell and obvious seasonal items like sleeveless jerseys. Don't put carryover shorts on there, rather fill in the sizes and keep them at full mark.

The sale rack (preferably a rounder) should have product marked down up to 50%. Each item should be marked with the sale price leaving the original price visible so the consumer can see the savings. As for gloves and socks, place them each in their own basket or bin with a brightly colored 'SALE' sign.

### CASH FLOW IS CRITICAL! WITH RMSA

Protecting your margins and not having cash to buy new inventory is a losing strategy. Here's why; margins look good on paper but cash flow is the key to your success. Fast turns with lower margin is more profitable than slow turns at a higher margin.

Here's an example. You bought 20 women's tank tops for \$30 and sold 12 of them for \$60 each. Of course you planned to make 50% margin on all 20, but there they sit. And wishing won't make them go away! Mark them down 40%! Sure, you only gross \$6 on each and your overall margin on the buy goes down to 40.5%, but you just freed up \$288 in cash to buy Fall merchandise. The sooner you acknowledge and get rid of your buying errors, the healthier your apparel department will be and the better it will look, too!

RMSA is a highly respected provider of retail solutions in many industries. Pearl Izumi will work closely with them in the coming year. Watch for more tips on inventory control and cash flow management.

### PRESENTING THE NEW

Have you ever noticed when you go to the mall in July there are sweaters on display? Or at your local home improvement store the snow blowers are out? Those stores know you aren't going to buy a sweater or a snow blower in July but now you'll know where to go in the Fall.

For the same reason, your anchor wall should be showing the new Fall merchandise as soon as it comes in so the Summer traffic gets a glimpse of what's on the way. You're priming the pump—helping your customer remember you first for what they want.

Since Fall can be somewhat unisex, let's create a front and center display showing those new jackets and tights with a blurb about how technology is going to improve the ride as the weather gets cold.



Placing both Fall and Summer introduces Fall but still sells Summer in season. Warmers are a great introduction to Fall as well.

Make room for the underlayers now and create a story around them. Pull one out of the box and place it on a form. Just having one on a hanger in front of the boxes doesn't do justice to an important money maker.

Let the consumer know why you're carrying three different styles of tights. Show them you have both thick (insulated) and thin (non-insulated), bib and standard drawstring waist.

Now is the time to create that warmers section. The first things that sell as it gets chilly are leg warmers, arm warmers, headbands, hats and warm gloves. Get leg forms and arm forms and you will sell more of this product.

### ORDERING SPRING 2011

It's a good time because your apparel department and all the in-season sales numbers are going to tell you what to do. Think about these questions:

- Did I have enough room and fixtures for my apparel department to function? Was it overstocked? Under stocked? How many fixtures do I have? Where do I need more or fewer? If you are happy with the setup you now know how much to buy into the department.
- How soon can I get my sales reps in here? Much of your in-season reordering is easy to do yourself. Planning for next season, the reps know their lines well so use them!

### Do it Now!

- Prime them for cold weather. Riding doesn't stop just because it's getting cold. Like my dad said when it was 40 degrees below zero and I had to go ski, "It's not the weather, it's what you wear!" Blow up a big sign and put it above the section.
- Get them coming in off season. Post your indoor cycling schedules now over the trainer section.

### Get Ready

- Make room for other categories such as warmers and underlayers
- Head down to a craft store and pick up some fall foliage or silk plants
- Create that indoor cycling section. Carve out an area with all that you need and stay in shape this winter. Don't even think of stopping!

### What's Next?

- Merchandising fall apparel—the tricks to making warm stuff look good
- Make indoor cycling a cash cow
- Getting consumers to think 'keep riding'