5 Ways to Overcome the Dead Stock Challenge

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INTRODUCTION

Working in software solutions for fashion garment retailers in the last 25 years, I have experienced one of the biggest struggles in the industry: “The Dead Stock”. Unsold inventory that occupies valuable space, ties up capital, and reduces cash flow. Retailers were suffering from this problem, which affected their business growth. In search of the solution to this problem, I gathered the suggestions and ideas of many businessmen and my clients, what they wish to do to overcome this problem. With the help of their invaluable experience and my technical problem-solving skills, we were able to come up with some very intelligent solutions to help businesses manage inventory efficiently and avoid dead stock buildup.

So, how can dead stock impact your business, and how can I help you to overcome this issue? I have curated a list of 5 majors that can help you reduce the risk of overstocking and thrive your business systematically. Let’s, dive in….

- *Raoshan Kumar*

Chapter-1

What is Dead Stock

So, what is the Dead stock actually?

Over the period of your retail business, there are certain items in your inventory that can not be sold, due any reason such as Out of Fashion, slightly damaged, faded colours, missing set or pair and so on… Your hard-earned money invested in these items, they take valuable storage space to dump, and thus directly affects the cash-flow and eventually impacts your overall profitability.

Notable researches reveal that about 15-20% of the inventory int the retail businesses become dead-stock, leading to significant operational and financial challenges. Dead stock can have serious impact on your business, the blocked inventory directly affects your business in multiple ways:

1. **Financial Losses:** Unsold stock means wasted investment. The longer products remain unsold, the lower their value due to depreciation, damage, or changes in fashion trends.

2. **Storage and Space Issues:** Keeping dead stock occupies warehouse or store space that could be used for new and trending products.

3. **Missed Opportunities:** With capital tied up in unsold inventory, businesses may struggle to invest in fresh, high-demand items.

4. **Increased Markdowns:** To clear old stock, retailers often resort to discounts and offers, reducing overall profit margins.

Chapter-2

How to Manage Dead Stock?

Managing Dead Stock is tricky, you know that you have got this problem, you also know how to overcome it, but you always avoid getting into this mess. To start with, I recommend five easy to adapt ways to overcome the Dead Stock Challenge. Let's go…

1. Keep track on Inventory Management KPIs

Inventory Management is the key to success in any Retail Business. Managing Inventory smartly can make your business more profitable and thriving. As an owner, it's your responsibility to track sales trends, demand forecasting, and inventory movement, ensuring that you stock what sells. **Sales Ageing** and **Stock Ageing** parameters can help you prioritise which item would be given more attention by your salesforce. This prevents overstocking slow-moving items and also under-stocking of fast-moving ones. Sales Ageing and Stock Ageing can be easily determined when you know the exact purchase date of every item.

2. Replenishment the stock which is moving fast

It has been observed in the Fashion Industry that there is a trend in selling particular designs for a given time, so be very quick in replenishing stock which is currently being sold. Create an automated stock-checking system in your business that compares what designs are in trend and what their stock status is. This system notifies you when stock levels are low, ensuring the timely restocking of fastmoving products while avoiding excessive purchases of slow sellers. Especially if you have multiple stores, you can move items

quickly between stores based on this parameter, which will make the stock move faster and also prevent you from excess buying.

3. Always Rely on Data for your Buying Decisions

Have you observed how you make purchases for your inventory? Often seen in my study of hundreds of retail businesses, they don't have a perfect plan to make buying decisions. They rely on their gut feeling and often false feedback from their staff. This is the major mistake that results in the overstocking or understocking of inventory.

Always buy based on the data, which means you should analyze the movement of your stock for the given supplier, what designs are moving, and what are not; a detailed study is required before you go to the supplier to make purchases.

4. Sell on Multiple Platforms

It’s a good idea to sell across multiple platforms. Integrate your business with online stores and marketplaces, ensuring that inventory updates in real time, reducing the risk of stockpile issues. If you are still not opting for online platforms, just go for it. Selling on multiple platforms will enhance the stock movement, thus reducing the chances for dead stock.

5. Know your Customers

I have seen many retailers, they don’t record their customers information, which is an essential step towards the growth of your Retail Business. Always keep an eye on your customer demography and psychography. This study would make you aware about their preferences and choice of items in the locality of your store. Align your stock with customer preferences, this will help boost sales and reduce dead stock risks.

CONCLUSION

Dead stock is a common challenge in garment retail, but it doesn't have to drain your resources. Being aware of your dead-stock itself reduces half of the risk. Use the mechanism depicted above in this e-book to make yourself aware of this challenge and you start with any of the ways to optimize the inventory.

To move faster, you can opt for a good Inventory Management Software in your business, which can give you real-time reports on Sales Ageing and Stock Ageing. With the help of the same, you can pin-point the actual item and take any kind of corrective decision faster.

I hope my suggestions will keep your business profitable and future ready.

About the Author



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For over two and a half decades, Raoshan Kumar has been at the forefront of revolutionizing the retail business landscape, providing cutting-edge software solutions that empower retailers to thrive in an ever-evolving market. With a deep-rooted passion for retail operations and an unwavering commitment to technological excellence, Raoshan has become a trusted name among more than 500 retailers across the country.

About zOrder

zOrder was founded with a vision to revolutionize the way businesses manage their operations. Over the years, we have grown to become a leading provider of ERP solutions, catering to the unique needs of the retail, wholesale, chain of stores, and manufacturing industries. Our journey is marked by continuous innovation and a deep commitment to helping businesses achieve operational excellence.

Need help managing your inventory? Let the zOrder team help you!
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