
Profitable Liquidation Channels

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Agenda

- ◆ Definitions
- ◆ Review liquidation channels
- ◆ Discuss “when”
- ◆ Recovery rates
- ◆ Review “sale book” P&L



Definitions

- ◆ Overstock
 - overstock “at cost”
 - “cost of” overstock – (loss on sale)
- ◆ Fill Rate **
 - Item Fill
 - Order Fill Rates
- ◆ Capture all Demand

** In a sale vehicle the goal is “sell-thru” NOT Fill Rates



Channels of Liquidation

- Internet
- “Up sells”
- Sale Book
 - unprofitable “myth”
- Package Stuffers
- Outlet Stores
- Tent Sales / Warehouse Sales
- Jobbers
- Barter Credits



Decisions

- ◆ Brand/Image dependant (e.g., collectibles*)
- ◆ Price ~~Slash~~ in regular book?
- ◆ Sale pages in regular book?
- ◆ Separate sale book, etc.?
- ◆ What impact on customers?
- ◆ How to avoid “training customers to wait” for a sale?



Decisions

- ◆ Caveat:
 - Not prospecting vehicles
 - ◆ Resulting “sale only” customers - regular price mailings with little response = COST
 - Do not use a “liquidation vehicle” as a means to increase top line revenues



Which Channel?

- ◆ Liquidation channels are driven by Inventory
 - Large quantities will need greater exposure and/or deeper discounts
 - Smaller quantities – less trafficked channels



Pricing Discount??

- ◆ Pricing driven by inventory and exposure (circulation)
- ◆ Deeper discounts will move greater quantities**
- ◆ Smaller quantities – may not need deep discounts depending on the channel
- ◆ Key items with small discount may be enough for “response driver”
- ◆ “A dog is a dog.....”

** Build “history” (e.g. 10x discount sells same qty given similar circ, 20% sells 1.2 times, 25% sells 2 times, etc. etc.)



Merchandising

- ◆ Should you offer ongoing “basics”?
- ◆ Liquidate “made for sale book items...”
 - Excess fabric
 - Deals with manufacturers to produce off price, off season: Win-Win
 - Offers something customers haven't seen
 - Enhances the overall mix = improves response



Channels of Liquidation



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Internet

PRO

- ◆ minimal expense
- ◆ timely offerings
- ◆ items can be easily added/removed
- ◆ Pricing can be adjusted based on inventory
- ◆ separate "sale" page or URL
- ◆ special email promotions, etc.



Internet

CON

- ◆ items “online” must be managed
- ◆ without promo, hard to determine if items will be sold out
- ◆ without promo, smaller quantity sell-thru

RECOVERY RATE

- ◆ Cost PLUS!



Upsells

PRO

- ◆ minimal cost
- ◆ timely offerings
- ◆ items can be easily added/removed
- ◆ pricing can be easily changed
- ◆ offerings can be geared to customer purchases

CON

- ◆ items offered must be managed

RECOVERY RATE

- ◆ Cost PLUS



Package Stuffers

PRO

- ◆ Controlled circulation (quantity & timing)
- ◆ Multiple options (# of pages, color vs. black/white, target selection, etc.)
- ◆ Easily changed, updated depending on assortment

CON

- ◆ Generally limited sell-thru

RECOVERY RATE

- ◆ Cost PLUS



Outlet Stores

PRO

- ◆ Move merchandise “in season”
- ◆ Allows additional “up front” buying = improved catalog fill rates

CON

- ◆ Buying must “feed” outlet stores
- ◆ Separate management & expenses
- ◆ Separate “books”



Outlet Stores

RECOVERY RATE

- ◆ Depends on “bookkeeping”
- ◆ Rule of thumb: transfer to outlet division at 35% below cost
- ◆ Allows outlet division to “keystone” and maintain possible profitability – depending on company objectives



Warehouse/Tent Sales

PRO

- ◆ Under YOUR Control (quantity & timing)

CON

- ◆ Identify outside “location”
- ◆ Provide your own staff, security, etc. (can be outsourced = lower recovery)

RECOVERY RATE

- ◆ Dependant on factors and associated costs
- ◆ Approximate 25-50% of cost dollar



Jobbers

PRO

- ◆ "Take it all"
- ◆ Most will also handle salvages, damaged returns

CON

- ◆ Caution: Check references – many negotiate on "consignment basis" (Possible recovery reduction –if they don't find a buyer)

RECOVERY RATE

- ◆ Lowest Recovery
- ◆ Generally 10-20% of the cost dollar (rarely 25%)



Barter Credits

PRO

- ◆ Dollar for dollar
- ◆ Best used as part of competitive bidding
- ◆ Positive Impact to Cash Flow

CON

- ◆ Hard to negotiate with existing vendors
- ◆ Sometimes time limits on use
- ◆ Use or Lose

RECOVERY RATE

- ◆ Can be 100% or 0%



Channels of Liquidation – When?

- Internet
 - ◆ depending on promotions
- “Up sells”
 - limited quantities
- Sale Book
 - large quantities with “depth”
- Package Stuffers
 - limited quantities



Channels of Liquidation – When?

- Outlet Stores
 - ◆ large quantities
- Warehouse/Tent Sales
 - ◆ large “broken” quantities
- Jobbers
 - remnants, last resort
- Barter Credits
 - all of the above
 - generally deals of \$250k+



The Sale Book

Dispelling the "Myth":
A Sale Book Loses Money!!



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Sale Book

Premises

- Inventory Driven
- Not Merchandise or Marketing Driven
- Circulation dependent on Inventory & available names (can be rented)
- Dense Page Layout
- Projected Fill Rates much LOWER



Sale Book Hints

- ◆ Cover should have Bold "Savings up to xxx%"
- ◆ Have a few items at highest possible savings, throughout the book, e.g. 70%
- ◆ Prices "good thru date"
- ◆ Phone Number on every spread & covers
- ◆ Order Form may not be necessary



Sample Sale Book

- ◆ 7 items
- ◆ Quantities Limited
- ◆ Sold Out flag
- ◆ Savings Up to 55 % Off
- ◆ Sale Prices Stand Out

SAVINGS UP TO

A. GREG NORMAN PIQUE POLO. Subtle print on pique knit. 100% cotton. Sizes L, XL, XXL. Imported. **PR7375 PRINTED PIQUE POLO**
Was \$60 **SALE \$25**

B. GREG NORMAN BRUSHED POLO. Long-sleeved, with a brushed finish. 100% cotton. Black or Ivory. Sizes L, XL, XXL. Imported. **PR7266 BRUSHED LONG SLEEVED POLO**
Was \$70 **SALE \$30**

C. GREG NORMAN PIQUE POLO. Bold print on pique, with a generous cut. 100% cotton. Sizes L, XL, XXL. Imported. **PR7275 PRINTED PIQUE POLO**
Was \$60 **SALE \$25**

D. GREG NORMAN VERTICAL WAVE POLO. Yarn-dyed polo with a vertical wave print. Pre-shrunk. 100% cotton. Sizes L, XL, XXL. Imported. **PR7277 VERTICAL WAVE POLO**
Was \$65 **SALE \$25**

E. GREG NORMAN PRINT SHIRT. Handsome long sleeve shirt with a tan fouled print on a black ground. 100% cotton. Sizes L, XL, XXL. **PR2077 WOVEN PRINT SHIRT**
Was \$64 **SALE \$25**

F. GREG NORMAN VEST. Lightweight, with ribbed body, yarn-dyed elastic arm holes and waist. 100% cotton. Black, khaki or white. Sizes L, XL, XXL. **PR2075 GREG NORMAN VEST**
Was \$65 **SALE \$20**

G. GREG NORMAN SHARK TOOTH POLO. Contrast solid color trim on the cuffs and collar; shark tooth pattern on the collar. Cotton jersey. Burgundy, white, natural or black. Sizes M, L, XL, XXL. **PR2082 SHARK TOOTH SHORT SLEEVE POLO**
Was \$50 **SALE \$30**

12 ACT NOW! QUANTITIES ARE LIMITED

Sample Sale Book

- ◆ 6 items
- ◆ Savings Up to 58 % Off
- ◆ Sale Prices Stand Out
- ◆ “Not Available” tags

Fall into Savings of up to 58% Off!



A. DALMATIAN LADIES WOVEN SHIRT
Red brushed twill cotton; also in enzyme stone-washed blue denim. Embroidered artwork. Imported.
Womens S(4/6), M(8/10), L(12/14), XL(16/18), XXL(20)
Blue Denim #73961HX ~~\$\$\$~~ **\$29.99**



B. MICKEY AND TIGGER CORDUROY SHIRT
Cotton corduroy shirt with embroidered art. Tailored with front pockets, full-front plackets and button cuffs. Imported.
Misses S, M, L, XL, XXL
Tigger #74189BX Each ~~\$\$\$~~ **\$19.99**
Mickey (not shown) #74181BX



C. CLASSIC POOH CORDUROY JUMPER AND TURTLENECK
Embroidered jumper. All-over print on turtleneck. Cotton. Imported. Misses S(4/6), M(8/10), L(12/14), XL(16/18), XXL(20)
Jumper #74013BX ~~\$\$\$~~ **\$34.99**
Turtleneck #74012HX ~~\$\$\$~~ **\$14.99**
(Turtleneck available in S and XXL only.)



D. FLEECE TUNIC AND LEGGINGS
Tunic is embroidered and accented with appliqué. Embroidered cotton/spandex leggings. USA.
Misses S(4/6), M(8/10), L(12/14), XL(16/18), XXL(20)
Tunic #74356HX ~~\$\$\$~~ **\$14.99**
Leggings #74354HX ~~\$\$\$~~ **\$14.99**

E. "MESSAGE" CHAMBRAY POOH SHIRT
Embroidered artwork. Styled with shirttail hem and packet sleeves. Imported.
Adults L, XL, XXL
Pooh & Friends #74176BX ~~\$\$\$~~ **\$29.99**



F. EMBROIDERED DISNEY TURTLENECKS
Embroidered artwork. Cotton. Imported.
Ladies S(4/6), M(8/10), L(12/14), XL(16/18), XXL(20) Each ~~\$\$\$~~ **\$19.99**
Marie, pink #74314HX
Pooh, royal blue (Small not available) #74315HX



Sale Book Metrics

Circulation (k)	1000
Demand (\$k)	4000
Net Sales	2400
Margin	240
Variable OPS	360
Sell Exp	400
Contribution	-520

Question: Should we do this Sale Book??

Sale Book Results

Actual Results

- ◆ Final Fill = 60%
- ◆ Net sales \$2400 less margin of \$240 = original COGS of \$2160;
 - COGS minus loss of \$520 = \$1640 recovery
 - \$1640 recovery / 2160 original COGS =

RECOVERY RATE of 75.9%



Key Question

If no Sale Book --

- ◆ How would we dispose of the \$2160 of inventory?
- ◆ At what rate of recovery?



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