Rithum™

eBook

Eliminating Excess Inventory for Brands and Retailers

How to make smarter advertising and selling decisions for less surplus and more profit

More Inventory, More Problems.

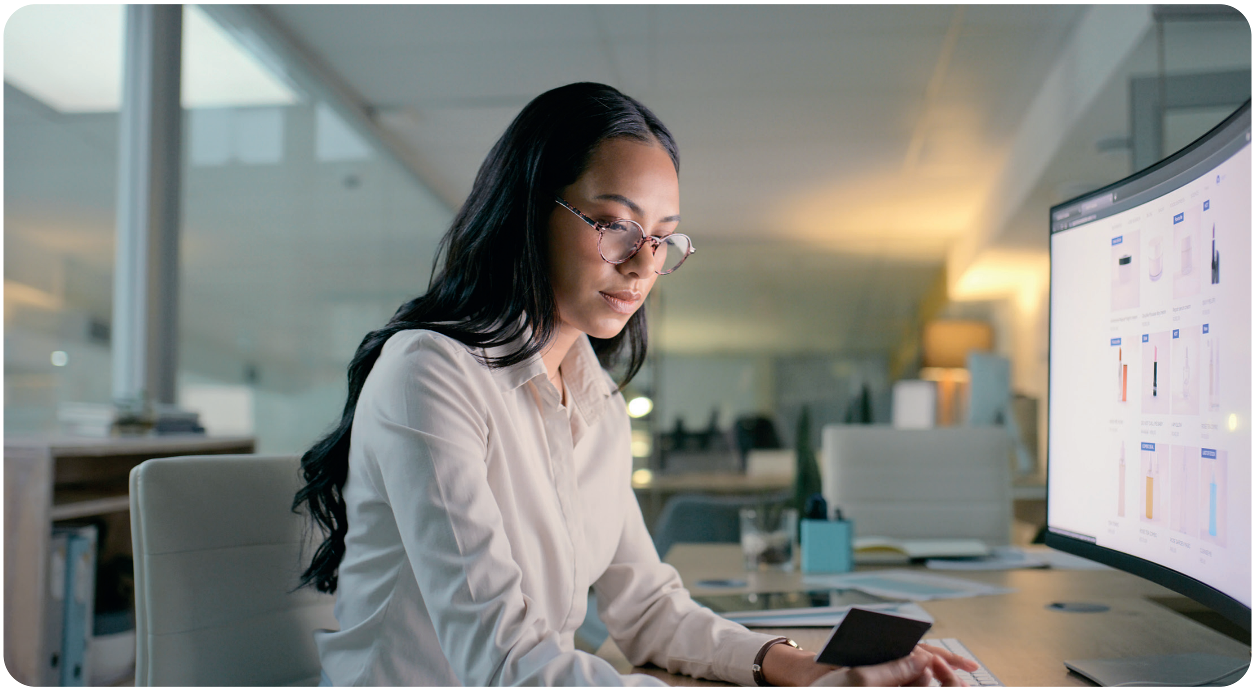
As inflation worries and economic uncertainty influence consumers' e-commerce purchases, you may find your inventory calculations don't match demand. Perhaps some products didn't sell as well as you thought or your customers have cut back on their orders.

The problem with correcting excess inventory woes is that it's different for everyone based on factors like:

- Brand or retailer status
- Industry
- Product categories
- Region
- Budget
- Channel partner relationships
- Profit margins

There are plenty of ways to mitigate inventory abundance — but each tactic's success will depend on how well it addresses your specific business goals.

In this guide, we address the retailer- and brand-specific challenges of excess inventory, strategies that work best to keep sales flowing and steps to prevent inventory strain from becoming a larger issue.



RETAILERS

Advertising Strategies to Reduce Excess Inventory

Is advertising your excess inventory worth the effort? It all depends on your profit margins. Choosing to advertise or not depends on whether you will make a profit after deducting the cost of advertising — or if it makes more sense to dispose of it or liquidate to a discount seller.

If you decide that advertising is a worthwhile option, consider these advertising strategies to help eliminate unwanted inventory.

Lean In to Paid Search

You should already be experimenting with new keywords (both broad and long-tail) as part of a healthy paid search program. But you can also experiment with new tactics to find the right mix for your budget and profit margins:

Play the long game.

Don't make the mistake of blowing your advertising budget on a busy shopping season and ignoring the weeks around it. Plenty of shoppers are scouring for deals in the weeks leading up to those traditional shopping periods, as well as the weeks following. You can reach deal seekers and move excess product by building promotions (with fewer costs per click) during periods with less competition

Customize your feed.

In advertising, organization breeds success. Know your products well and use their varying characteristics and popularity to inform bidding techniques for each group.

For instance, you could flag product sets with high inventory using custom labels in your Google and Bing feeds. Then, plan more aggressive campaigns around them. Consider segmenting your promotions via Google Merchant Promotions by different product sets (e.g., high-quantity items) to encourage sales. Segmenting campaigns by profit margin (e.g., losing vs. leading) can also be an effective strategy to try on social advertising channels like Facebook.

Throw in a gift.

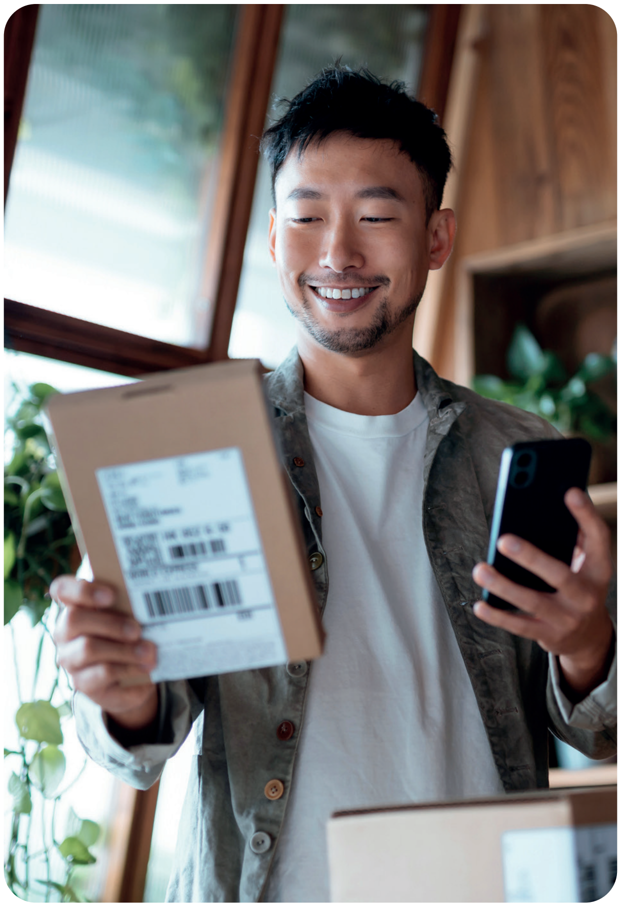
Are the products in excess small or low-priced enough to promote as a gift to shoppers? (Think travel-size beauty products, books or small tools.) If so, this tactic accomplishes two goals: eliminating excess inventory and increasing shoppers' order value. Offer these gifts when shoppers meet a higher, but achievable, threshold amount depending on the channel and the consumers who typically shop there.

Promote product bundles.

Bundling products into a single SKU is wise for promoting complementary items, raising awareness of new products and moving inventory. Run ad campaigns to promote these bundles in the lead up to holidays and beyond. Product bundles are also helpful for raising your average order value (AOV) and increasing the return on investment (ROI) of your paid search campaigns. That's because it costs the same to promote multiple products in one SKU as it does for one.

Find a competitive advantage.

If *you're* struggling with too much inventory, your competitor might be too. But it could be for different reasons, such as supply chain delays. Keep an eye on competitors, and capitalize on their weaknesses by bidding on campaigns for similar products that are struggling to meet demand.



Experiment with Your Retail Media Campaigns

Retail media is essential for any seller who wants greater visibility on marketplaces and other retail sites. But if everyone else is doing it too, your efforts must be that much more advanced. We recommend experimenting with the different channel-specific ad types available to you and zeroing in on your advertising goals:

Get more targeted with your Amazon Advertising.

Perhaps you're forced to play defense on your product detail pages by targeting your own ASINs. Or maybe you're conquesting competitors by bidding on theirs. Either way, Amazon sponsored advertising can give you a boost in conversion rate. When running Sponsored Ads with dynamic bidding, update bid modifiers for criteria like the product page or "Top of Search" to help you get more aggressive with your ad placements.

Experiment with Sponsored Display.

Maybe consumers aren't aware of your product because it's slightly different from the competing one they're searching for. Sponsored Display ads can help raise product awareness by targeting competitor ASINs directly below the Buy Box. It also gives you the opportunity to boost any promotions you're currently running.

Try Sponsored Videos.

Is this the year you try Sponsored Videos? If you're the registered brand of the product(s) you're trying to sell and you have access to Sponsored Brands options, video campaigns help set you apart. Remember, segmenting campaigns (e.g., branded vs. nonbranded, top-selling vs. overstocked) helps drive the most efficiency when advertising.

According to Amazon, advertisers who used the Sponsored Brands video ad format saw a 108.1% increase in click-through rate (CTR) compared to advertisers only using the Sponsored Brands product collection ad format.

Check it out: The 3 Amazon Ad Types to Know for Better Conversion

Retarget Interested Customers

Everyone knows it's cheaper to keep an existing customer than acquire a new one. Retargeting former customers can be a beneficial and cost-effective way to market and move additional inventory. To do this:

Leverage retargeting ads.

In addition to retargeting across search and social channels, you can also remarket to specific audiences on Amazon with Product Display Ads. When a potential customer views your listings, Amazon takes note and displays them again when the shopper visits other Amazon pages, competitor listings and third-party websites and apps.

Segment your email lists.

Stay in touch with your customers, whether they purchased recently or long ago. Newer customers may benefit from a complementary accessory, while it may be time for older customers to upgrade to a newer model. When segmenting email lists, try creating one for deal seekers who purchased from a former promotion. Then, design a new promotion that might catch their eye.

RETAILERS

Selling Strategies to Prevent Excess Inventory

You can't set up mediocre programs and hope for extra credit opportunities when you're in a pinch down the road. Start at the source with selling strategies that help you sell more the first time with greater visibility and brand awareness in the right channels.

Optimize Your Product Listings – Again

Keeping your product listings fresh is E-Commerce 101. Deciding how often to do it depends on how frequently your consumers change how they shop. Where do they browse? What might they be looking for this month or season? To grab their attention, we recommend you:

Revisit search terms.

The terms you provided in the keyword fields of your marketplace templates might be outdated. Optimize your listings by adding new product details that could help them appear in search results.

Update titles for accuracy.

Regularly audit listings for accurate product content — especially titles. Ensure titles are packed with relevant keywords and descriptors shoppers may use to find your products. Tweaking product titles may also raise awareness of features buyers hadn't considered before.

Grab attention with images.

Entice new clicks with fresh, eye-catching images. Shoppers are more visually minded than ever thanks to social media, and they're looking for pictures that speak to a products' high quality. This is especially important in design-focused categories, such as fashion.

Experiment with repricing.

Move excess products by appealing to consumers' inclination for the best price — while still staying within your desired profit margins. Repricing can help you meet a variety of business goals, including winning the Buy Box, increasing revenue or selling fast. Choose between algorithmic, rule-based or velocity repricing to meet your specific needs.

Learn more: 4 Dynamic Pricing Strategies to Boost Your E-Commerce Sales

Expand to New Marketplaces or Regions

New regions or channels mean new consumers. But expanding only makes sense if it's profitable. If it stretches you too thin or you don't have the infrastructure to supply, store and ship products in a new country, it's not worth it.

When it does make sense for your business, it's also a great avenue to reposition surplus inventory to a new market.

Look within your current marketplaces.

Tapping into international markets can significantly increase your potential consumer base and sales — and you may not even have to look beyond your current marketplace(s).

Amazon operates in over a dozen different countries, offers Prime memberships in 19+ countries and ships products to over 100. The Amazon Global Selling program is an option to "test the waters" of cross-border trade and open your products to consumers who are already shopping on Amazon. eBay also has a Global Shipping Program that manages the international shipping and customs process for you.

Adopt a new channel.

Want a fresh start on a new marketplace? Find a channel that's looking for products like yours. Our managed services team can help you discover new channels and make the best decisions on where to sell.

Treat Social Channels as an Extension of Product Pages

Social channels present an effective and somewhat easy way to build new audiences for your products, whether through promotional giveaways, influencer reviews or viral trends. Just be sure not to focus too much on promotions for older, excess items, as that approach could cannibalize sales for newer products.

Experiment with new channels.

Shoppers turn to social networks to find deals, even if they can't purchase directly through those platforms. According to Marketplace Pulse, videos tagged with #primeday, #primeday2023 and #amazonprimeday2023 on TikTok were viewed 400 million times during the 48 hours of the summer sales event. If connecting with consumers through channels like TikTok or Instagram don't make sense for your brand, consider older or more niche social platforms where your consumers spend time.

400M

views tagged with #primeday on Tiktok in 48 hours

Clear the pathway to purchase.

Make every channel where your product appears a shoppable channel. Provide easy access to your website or partner sites in social ads, email promotions or other digital touchpoints to streamline the path to purchase and make it easy for viewers to convert.

Reexamine Your Fulfillment Process

Changes to your fulfillment process will affect your entire inventory, not excess products alone, meaning they're not exactly a quick fix. But if you regularly face a surplus, examining your approach to fulfillment may be the key to getting orders going again.

47%

of customers will spend a minimum amount to get free shipping

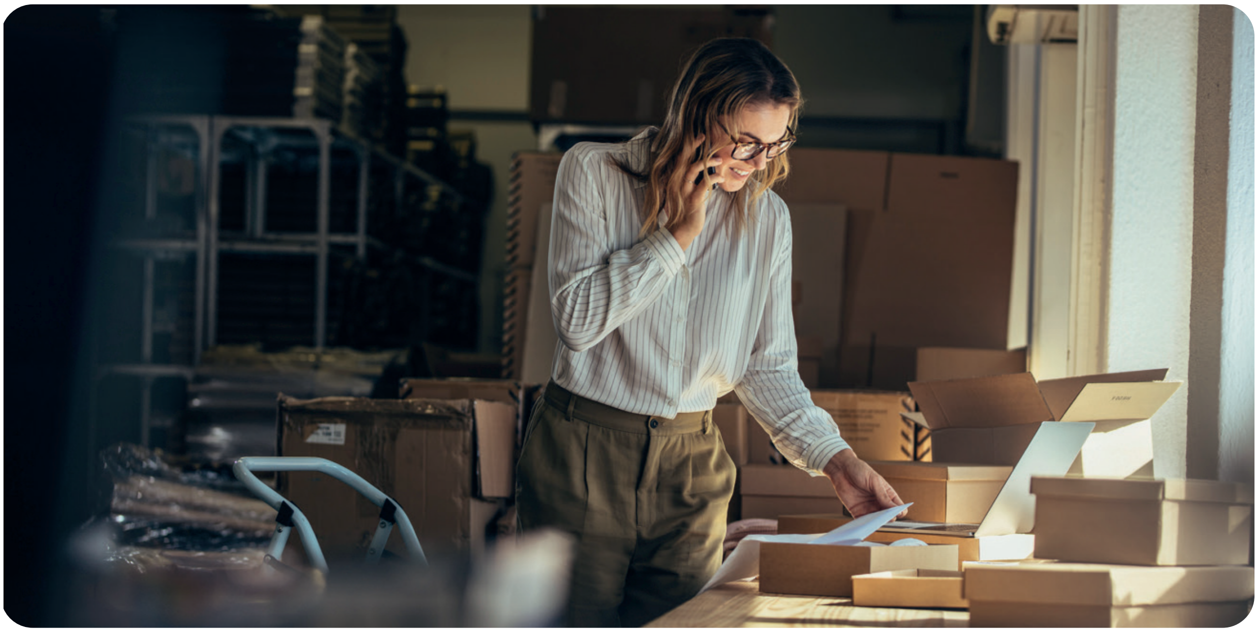
Source: Shippo

Lower your threshold for free shipping.

According to Shippo, 47% of consumers will spend a minimum amount to get free shipping. If your thresholds to achieve free shipping are too high, consumers may be discouraged from purchasing altogether, resulting in excess product.

Choose a new third-party logistics (3PL) provider.

Selecting a new 3PL can help you increase efficiency and cut costs so you can pass savings on to customers (making your products more attractive). A strong 3PL partner can also help you simplify fulfillment challenges so you can spend more time optimizing your marketing, advertising and selling tactics instead.



Considerations for Reducing Excess Inventory

As a brand, you're uniquely bound by advertising and selling considerations other sellers may not have. Before jumping into action, consider your entire program and the decisions that will best suit your unique needs.

The Advertising Dilemma

If a retailer already has your inventory in hand and you no longer have control over how the products are priced, are your advertising efforts worth the costs? Consider:

Your current profit margins

If they're already slim, can you afford to further reduce your bottom line by spending more on advertising?

The product's stage in the lifecycle

Has the product been on the digital shelf for months, or is it part of a new line that you'd like to keep pushing?

Minimum advertised price (MAP) policies

Are you free to run promotions on heavily discounted items, or do you have to adhere to binding MAP policies?

Your sales goals

Are you advertising to build brand awareness or improve sales? Does your brand or product already have strong name recognition in the category or region?

Your advertising "position"

Are you playing defense or offense when it comes to advertising? Are competitors currently encroaching on your brand space and marketplace product detail pages with their ads?

Rethinking How and Where You Sell

Your options for moving excess inventory from your warehouse come down to your business model, product type, ability to set pricing, channel strategies and capacity for online distribution. Before you proceed, consider:

- Will it cost more to warehouse, sell and fulfill orders of older inventory than to liquidate it, give it away or destroy it?
- Do you have existing relationships with alternative wholesale or 1P channels to sell inventory?
- Do you have the capacity to sell directly to consumers, either through your website or as a third party (3P) on a marketplace?
- Are your excess products seasonal, outdated (e.g., electronics) or evergreen? Where is the product in its lifecycle?
- Are there new channels of demand or regions you haven't tapped into? How much would it cost to experiment there?

BRANDS

Strategies for Reducing Excess Inventory

There are a number of brand-specific strategies for reducing excess inventory — perhaps including some you never thought of. Dig deep to consider every available avenue for selling that will result in ideal returns.

Adopt a hybrid selling structure.

If your business can support the marketing, selling and fulfillment components of a direct-to-consumer model (and if your retail partners allow it), consider developing a hybrid (both 1P and 3P) selling structure on major marketplaces. This way, you're not solely reliant on 1P purchases.

A hybrid approach to marketplaces, retail sites and your own website provides more flexibility when it comes to product distribution, as well as more resiliency in the face of unforeseen events (e.g., canceled orders, pandemic, market fluctuations). Many brands are now dipping their toes into 3P selling by piloting selling programs on marketplaces with limited product lines or in smaller markets.

Try a different mix of channels.

Each new channel you operate in presents a new source of demand and audiences who are searching for products like yours. There are a variety of channels that brands have historically used to move excess inventory, whether through a regularly recurring distribution process or on an as-needed basis. Rithum customers have found success on channels like:

- TJ Maxx (known as TK Maxx in the UK)
- Poshmark (for apparel)
- Secret Sales
- Back Market (for refurbished consumer electronics)
- The Walmart Restored Program
- Newegg

Smaller, niche marketplaces may offer profitable avenues for sales depending on your product categories and selling regions. While the e-commerce headlines are dominated by global giants, other emerging marketplaces are gaining ground and proliferating across the world.

If you're not able to launch on a net new channel, there may be selling programs on your existing marketplaces that allow consumers in other regions to access your products. Amazon and eBay both have global selling programs that are options for brands looking to sell internationally.

Don't forget about your old partners.

In recent years, channels like eBay have seen a resurgence from former brands who left the site long ago returning to tap into the loyal customer base. Consider repartnering with former channels if their sites now attract a different audience or their brands align better to yours. If not, you may open a refurbished or returned items store on a marketplace with quality guarantees, which helps distinguish the inventory from in-season stock while protecting existing retail distribution.

Think creatively.

Before you liquidate unsold inventory, take some time to think outside the box. Can any of the parts or pieces be repurposed into new products? Do you have industry partners — or even competitors — who would be willing to purchase certain components of your products due to supply chain issues of their own? Can you spin the challenge into an opportunity to give back to the communities where you do business?

Use every free tool available.

In addition to common low-cost, retail-centric strategies to boost sales for surplus products, there are other ways to put your brand in the best light — some at minimal cost to you.

For example, if you're a registered brand on Amazon, **Amazon A+ Content** provides an effective (and free!) way to increase traffic and sales while cross-promoting other products. It allows you to enrich your product descriptions and page details with tools like high-definition videos, enhanced images, comparison charts, FAQs and more.

Social media channels and email, though they require internal effort and resources, also offer cost-effective ways to keep consumers engaged with your brand and products. Just remember: Promoting through these channels introduces tricky pricing considerations like MAP policies. Additionally, if you own the products and try to move them through deep discounts, you could hurt the integrity of your brand and other full-price products.

Never Fret Over Excess Inventory Again

Accumulating excess inventory can feel overwhelming in the moment. But smart e-commerce advertising and selling strategies can help you alleviate the problem both in the moment and in the future.

Whether you're a brand or retailer, offloading unsold inventory becomes easier with careful planning and regular program modifications tailored to your product categories, region and sales goals.