

## **Retailers' Big Problem: Big Inventories**

**Parija B. Kavilanz, "U.S. Sellers to World: Please Buy Our Leftovers," *CNNMoney.com*, December 11, 2008.**

Retailers expected 2008 would be a mediocre year, so most of them bought and planned for less inventory than normal. Yet even so, the unexpected global credit crisis in September made the year much worse than they could have anticipated. Retailers are thus turning to a variety of creative means to survive these tough times.

Decreasing consumer spending means retailers have an exceptional amount of leftover inventory. Many offer dramatic markdowns, up to 70 percent, to get rid of the merchandise, but even such drastic steps have not depleted inventory sufficiently. Retailers might want to go to 80–90 percent discounts, but many are restricted from doing so by manufacturers that set price limits to maintain their brand image.

Other retailers turn to liquidators that purchase excess inventory, at 25 percent of the wholesale price. However, with so much inventory, supply is outpacing the demand from liquidators. Retailers therefore are turning overseas, where they suffer no restrictions on how to use or sell the merchandise.

Some large companies even are trying bartering. A global corporate trading firm, Active International, offers credit to retail customers for future services, such as advertising, travel, and business expertise, in exchange for its inventory. Because retail merchandise grows obsolete so quickly, it loses value rapidly too. Even credit thus may seem more appealing than storing merchandise and trying to get a better price from another overloaded liquidator.

The start of 2009 suggests retailers will be even more conservative in their buying. Their fear of excess merchandise at the end of the season may prompt them to promote products heavily with discounts throughout the season.