

12.10: Liquidating Markdown Merchandise

Learning Objectives

- Summarize the options for liquidating markdown merchandise

Once retailers decide to markdown a product or product category, it remains in inventory until sold out. How do retailers handle the process from initial markdown to final liquidation?

The first method we discussed in an earlier section. Most retailers will have a set process, including markdown percent thresholds, that will be used to sell through markdown merchandise. For example, the first markdown could be set at 40% off original price for a period of four weeks. Then the products could be reduced further by another 25%-33% for a set period of, let's say, another four weeks. After that, it may be time for "last call" where the product is reduced an additional 50% off.

Larger retailers will use set company promotions as the target dates to take the series of price reductions. For instance, a product may be marked down at first and featured in an Easter Sale. Then, the next markdown may be taken to coincide with the Mother's Day sale (for the sake of this example we will assume that this is a product that appeals to women). Then, a Summer Sale could be a good time to take the final price hit and liquidate the remaining inventory.

Another method used by retailers (and wholesalers) is to sell markdown goods in "lots" (large chunks of merchandise) to third-party liquidation companies. These are usually companies who only deal in surplus, off-price goods and they in turn re-sell those products to secondary and tertiary markets. In many cases these third-party companies have international outlets by which to liquidate the markdown goods.

Finally, some retailers have designated channels within their company to dispose of markdown products. Outlet stores began in this way. These so-called clearance outlets started by "inheriting" the markdown products of high-end retailers who did not want to have clearance product on their sales floor. We have all seen the popularity of outlets evolve into entire malls of such stores. So much product can be sold at outlet stores that they could not rely on markdown leftovers alone. Retailers now have full-time buying and distribution staff responsible for keeping the outlet version of their brand well-stocked with original product.

Practice Questions

<https://assessments.lumenlearning.co...sessments/9282>

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