

Suspending Your Business: Inventory Management

One of the things you must take care of before closing your business is to sell, give away, or store unsold inventory and supplies. There are several different options available, and the right decision depends on several factors including how much time you have to implement your inventory plan and what is the most cost-effective for your unique situation.

- ♦ **Store:** Since you have already paid for your inventory, remember that it is a sunk cost. If you plan to reopen your business when you return, you can arrange for a viable storage solution. Be sure to consider the insurance in the cost of storage. Items, such as seasonal goods and those with a limited shelf life, may be worth storing for short-term absences but should probably be sold or liquidated for long-term deployment situations or when you don't know how long you will be away.

If you decide to store your inventory, it is very important that your inventory be safe from theft or other vandalism, protected from damage due to the climate or other elements, and easily accessible. Look to low-cost storage solutions first, such as your existing store, home or office. Utilize space you already rent or own to avoid paying rent on additional storage space. If no such space exists and you have to look for additional rental space, keep the following tips in mind:

- ♦ **Cost:** Get the smallest unit available that fits all of your inventory and miscellaneous business items. Use vertical space as efficiently as possible to ensure you pay only for the space you really need.
 - ♦ **Security:** Insure the items in your space to protect yourself and your investment from theft or damage. Invest in a security solution that makes you feel comfortable. Ask someone to periodically check your storage unit to make sure that everything inside is intact and no damage has been done.
 - ♦ **Protection:** Store inventory in airtight, waterproof containers that will protect against water, dust, contamination, bugs, rodents, and other unwanted destroyers. If the contents of your storage unit are sensitive to heat or cold, find a unit that is climate controlled in all seasons.
- ♦ **Sell to competitors:** If storage is not an option for you, one option is to sell to other stores or businesses in your area that carry the same type of items. While seemingly counterintuitive, your competitors may be willing to pay a higher price than you would otherwise get, especially if they know you are being deployed to serve.
 - ♦ **Discount to customers:** You can also have a "going out of business" sale. You may hate the idea of cutting costs, but any money recouped is better than none at all. How much you choose to lower your prices is up to you, but it is important to keep in mind the timeline you created and the amount of time you have to dispose of your inventory. The lower the price, the faster it should move off your shelves, and you should plan accordingly.
 - ♦ **Liquidate:** If you are looking to liquidate, you may find help on the Internet. Some Internet sites specialize in selling surplus inventory and can get you a better price for your products and supplies. Online liquidation opens your inventory up to a nationwide pool of buyers and can accommodate

Suspending Your Business: Inventory Management - Page 2

every kind of inventory, from apparel to hardware to consumer electronics and beyond. If you do choose to explore online liquidation, remember to factor in shipping costs. Some of the larger liquidation sites offer discounted shipping rates. Make sure you also find out what percentage of your sale price is kept as a commission by the site. Typical fees can range from 15-25%.

- ◆ **Donate:** A fourth option is to give your inventory to a non-profit organization. Talk to your accountant or to a tax specialist to find out whether you can deduct the amount of your donation from future taxes. Even if you are not eligible for a tax write-off, donations are still a rewarding way to eliminate the leftover inventory you cannot sell.
- ◆ **Dispose:** Lastly, when all other options have failed or expired, throw away the inventory. Don't pay to store inventory if you won't be able to sell it later. Speak with an accountant or tax specialist to find out whether you will be able to write off the cost of any materials that you dispose.
- ◆ **Bulk Sales Laws:** If your business is retail, wholesale, or manufacturing, there may be a "bulk sales law" in your state that you will need to know about. Speak with your attorney to find out if such a law applies to you and what it requires you to do.