

## Stretching Your Dollars: Types of Sales<sup>1</sup>

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Mary N. Harrison<sup>2</sup>



### Price Reductions and Sales

Most consumers seem obsessed with the terms "sale," and "reduced prices." This fascination is evidenced by the phenomenal growth of discount stores and outlets. Department stores and specialty shops are following the trend by continuously advertising sales.

There are genuine sales. However many products claiming to be reduced in price are not. Some retailers place two prices on their hang tags, "should sell for" or "selling elsewhere for," and "our selling price." Remember, the retail value is what the product will sell for and no merchant can afford to give away merchandise.

### Types of Sales

Although sales carry many names, they can all be grouped into two general classifications:

promotional and clearance. By recognizing the type of sale, a consumer is better able to anticipate the potential condition of the merchandise and the amount of price reduction.

### Dispose of Unwanted Merchandise

There are several different kinds of sales which are designed to get rid of the merchandise that retailers no longer want to keep in stock. As a general rule these types of sales offer the greatest price reductions, and the most limited selection of products. They may also offer the greatest opportunity for the shopper to make a very good buy, or a very poor one, depending on the shopper's skills. Sales designed to dispose of unwanted merchandise include:

- **Clearance sales**, designed to "clear out" left over seasonal merchandise, shopworn items, and those that are damaged or are one-of-a-kind.
- **Close-out sales**, used to get rid of merchandise which will no longer be carried, or a line of products that the manufacturer is discontinuing. (Be sure the item is not being discontinued because of a basic design flaw.)

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2. Written by Mary N. Harrison, professor, Consumer Education; reviewed by Jo Turner, professor, Family and Consumer Economics, Department of Family, Youth and Community Sciences, Cooperative Extension Service, Institute of Food and Agricultural Sciences, University of Florida, Gainesville, FL 32611.

- **Going-out-of-business sales**, held when a store is closing (discontinuing business).
- **Disaster sales**, usually held following a disaster such as a flood, fire, hurricane, tornado, or other major problem. Frequently the merchandise is damaged.
- **Inventory sales**, designed to reduce the quantity of merchandise in stock. These sales are often held near the time a store is required to take inventory for tax purposes.

### Stimulate Consumer Buying

Promotional sales use moderate price reductions to coax customers to buy. A promotional sale may be a storewide sale, or it can be for a specific product or service.

- **Seasonal sales**, built around merchandise traditionally placed on sale at specific times during the year (for example, white sales). Seasonal sales are also held at the time of special events such as Easter, Christmas, and the beginning of the school year when special types of merchandise are in high demand.
- **Private sales**, confined to a store or chain whose regular customers are notified several days before the sale is announced to the public. They promote store loyalty.
- **Anniversary sales**, commemorate the founding of the store with general storewide price reductions.
- **One-day sales** or **holiday sales**, feature markdowns for special holidays such as St. Valentine's Day, Memorial Day, and Labor Day.
- **Special Purchase sales**, offer merchandise that the store's buyer has obtained from a manufacturer or wholesaler at a reduced price. Sale items may be a manufacturer's overruns, seconds or irregulars, or may be merchandise ordered by another store that went out of business. Sale items may or may not be of the quality usually carried by the retailer.

- **Introductory sales**, introduce a new product, service or store to help consumers learn about specific goods and/or services.
- **Stimulation sales**, designed to increase sales volume during periods of slow movement.

### Cautions for Shoppers

Shoppers attending sales should be especially cautious to be sure they get their money's worth.

- Comparison shop -- even at sales. Sale merchandise at some stores will cost more than the same merchandise sold at the regular price at another store.
- Ask yourself, "Why did this merchandise not sell at the regular price?" Was it over-priced or defective? If so, how will this affect the item? Is it trendy and will it soon be out of style?
- Is the price really reduced? Some hang tags show two prices, one of which is the sale price. Is the other price the prior selling price or a "suggested retail price?" Look for the item's regular selling price not the suggested price. The items may never be sold at the "suggested retail price." The "sale price" may be the true "retail" price.
- Would you consider buying the product if it were not on sale? Poorly constructed products or odd designs are no bargains.
- Usually sale merchandise can't be returned or exchanged (unless it was sold as first quality and turns out to be defective).

### Buying Tips

- For promotional sales it is usually wise to shop the first days of the sale because the selection is better. Prices will not change during the sale.
- If the sale is a clearance sale, the price reduction usually is larger than for promotional sales. The best selection is at the beginning of the sale; however, the best prices are often found during the last few days.

- Comparison shop before buying. Compare quality, usefulness, and price.
- Be sure all warranty information and care instructions are included with the product.
- Carefully inspect merchandise for damage and quality of construction.
- Recognize that the excitement of buying at a sale is contagious. Don't buy just because others are buying. A price reduction is no bargain if the product is not needed.
- At close-out sales, be cautious when buying items that may require service or repairs. Find out who will provide the service and warranty work.

### Other Forms of Price Reductions

There are a number of other forms of price reductions. Some of these are listed below.

- **Cents-off** -- price reductions given by the manufacturer or distributor. There are specific regulations governing this area. A product can be sold only 6 months out of the year with a cents-off offer. At other times it must sell at the regular price.
- **"Specials" or loss-leaders** -- inexpensive, commonly used items are sold at a reduced price to attract customers. Usually they require the consumer to purchase other merchandise to be eligible to take advantage of the special.
- **Introductory offer** -- merchandise that is new, or new to the marketing area. Price reductions can be for no more than 6 months out of the year. (The law requires products to be new, improved, or introduced to a new marketing area to be sold as an "introductory offer.")
- **Coupons and refunds** are other ways of taking advantage of price reductions. Coupons may be issued by the manufacturer or by the store. Use coupons only for items you already plan to buy, and if the the cost of the item will be reduced to or below that of competing brands.

### Discount and Outlet Stores

Discount stores and manufacturer's outlets have gained wide popularity and greatly influence retailing. These stores claim to sell merchandise at prices substantially below department and specialty stores. They may or may not offer bargains. Some carry manufacturer's first quality overruns; others carry seconds and damaged merchandise; and some have last season's merchandise. Many carry one-of-a-kind or size merchandise. Careful comparison shopping is required to find true bargains.

Shopping sales is one good way to stretch the purchasing power of the dollar provided you:

- do careful comparison shopping.
- resist the temptation of impulse buying.
- clearly understand the types of sales.
- have realistic expectations.
- buy only what is needed and can be used.
- avoid buying only because the price is reduced.
- look for quality and low prices.