

SMARTER PERSPECTIVE: RETAIL

# Capitalizing on the Excess Retail Inventory Dynamic in 2025

By Madalyn Launer and Raymundo Armendariz

**March 2025** In this article, we address the growing level of excess domestic retail inventory and discuss the challenges and opportunities this development presents to those across the market.

## A Climate of Uncertainty

Midway through the first quarter of 2025, we are seeing the retail industry continue to experience notable volatility. While the ongoing wave of store closures and the looming threat of increased tariffs on imports coming in from trading partners around the globe present notable challenges, including the need to rethink supply chains, these developments can also serve as an opportunistic window for manufacturers, distributors, retailers, and resellers who are well informed and act in a timely manner.

The frenetic pace of major chain and independent store closures is impacting more than the stores themselves; it is resulting in substantial amounts of excess inventory being left behind in distribution centers and warehouses across the U.S. In addition to the overstock of customer returns, seasonal goods and obsolete items now trapped in these locations, additional merchandise is also currently in transit or stuck in port, and is also ripe for disposition and redistribution.

U.S. manufacturers and distributors are also now holding higher levels of inventory largely because the increased number of retailers falling into distress have been making a strategic decision to not pay when heading into bankruptcy, or have simply been unable to pay or accept shipments because of cash

liquidity and related challenges. Many are also being put in the unfortunate position of having to redirect goods that were already in transit within the U.S. at the time of cancellation to costly 3PL warehouse locations until such time as their disposition can be arranged. Adding to the fray, even though the current administration has delayed implementation of its proposed tariffs, some healthy retailers modified or canceled their overseas orders when enactment of those tariffs seemed to be a certainty. Some are also now beginning to shift production to other established source locations as a proactive measure to limit potential future cost and logistical exposure. Additionally, when the tariffs do go into force, which seems inevitable, many of those who are not being proactive in taking action are likely to find that orders have simply become too expensive to ship. When this occurs, we can expect to see further abandonment of orders in mid-production and as well as those en route, adding to the growing overall surplus of inventory available.

## Excess Domestic Inventory Meets Innovation

Accessing excess domestic inventory can enable off-price operators looking to provide a range of quality merchandise to their loyal customers, as well as



mainstream retailers looking to introduce innovative approaches for selling surplus goods in their physical and online store environments, with notable margin and customer pricing advantages.

In the current environment, for example, we are seeing more retailers introduce a range of such approaches for their shoppers. These store concepts utilize sales floor space to feature this merchandise and range from the simplicity of **well merchandised and uniquely branded clearance sections** to more elaborate **"treasure hunt"** environments where a store's truest deal-seeking customers can enjoy exploring bins packed with the kinds of value-oriented deals they desire. Retailers are setting these up as both temporary **pop-up, store-in-store offerings as well as more permanent installations** in high foot traffic areas of existing stores to attract bargain hunters and clear out surplus goods. This is proving to be highly effective in promoting inventory turnover, by attracting cost-conscious customers, while also reducing the need for extensive discounting across an entire store. The success of these strategies has even lead some retailers to establish their own group of buyers that are specifically tasked with locating and

acquiring treasure find buys across an array of categories.

Importantly, when operators have a trusted source from which to readily access such excess inventory domestically, they become better able to address shifting market trends and pivot quickly to meet customer demand without long lead times. Regularly replenishing sections with new overstock items prevents these offerings from becoming stagnant and keeps customers coming back to check for new deals. Being able to access seasonal overstock items enables retailers to create timely and relevant bin and other promotions, aligning with holidays and seasonal trends. Purchasing and reselling excess inventory also helps reduce waste and promote sustainability. This is often an important consideration for retailers looking to enhance their corporate social responsibility (CSR) profiles.

In addition to these in-store strategies, retailers are also leveraging online liquidation platforms to sell excess inventory through flash sales, online-only discounts, and third-party marketplaces, enabling them to reach a broader audience. Emerging platforms are gaining popularity and revolutionizing

the live auction format. Whatnot, for example, engages younger audiences in a real-time shopping experience to search and find the kind of products they are looking for from across a vast number of categories, while also guaranteeing their satisfaction. For off-price retailers and closeout resellers, these auction-style sales provide an exciting way to turn excess stock into revenue, much like a modern version of home shopping networks.

It should also be pointed out that during and since the pandemic, off-price retailers have greatly refined their ability to meet or exceed financial forecasts by optimizing inventory management, strengthening vendor relationships, and capitalizing on excess inventory. Leveraging data-driven forecasting and AI, they have continued to improve inventory turns, markdown strategies, and expense control, thereby enhancing profitability. Direct vendor relationships have enabled them to secure high-margin goods through exclusive agreements, favorable payment terms, and by bypassing intermediaries. They have also capitalized on excess inventory from brand overproduction, retail closures, and liquidations, using just-in-time buying to secure deep discounts.

## How Hilco Wholesale Solutions Can Help

### For Retailers

Retailers currently selling or looking to sell surplus goods in their physical and/or online store environments, whether through a traditional or innovative model, need access to quality, non-conflicted merchandise at favorable prices. Our team may already have the merchandise you seek on hand and, if not, can secure it for you at the right price more quickly than anyone else in the business.

Retailers in distress need an experienced partner to guide their efforts. Hilco Wholesale Solutions and our experts across the Hilco Global platform of companies have the resources and expertise to manage large-scale inventory liquidations, including store closings and going-out-of-business events.

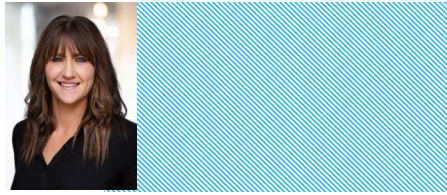
### For Wholesalers & Manufacturers

Wholesalers and manufacturers facing excess inventory challenges require immediate solutions to maintain liquidity and operational efficiency. Our team can provide critical support by purchasing excess inventory via fast, cash buyouts of canceled orders and surplus goods. This enables manufacturers and wholesalers to reinvest in their businesses without prolonged holding costs.



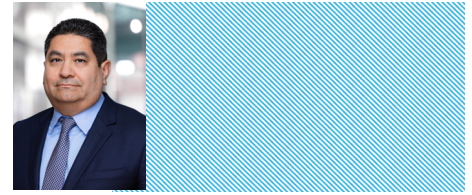
As inflation drove consumers toward value shopping, off-price retailers also strengthened their abilities to deliver the “treasure hunt” experiences referenced earlier in this article, boosting loyalty and repeat visits. This agility and financial discipline have solidified their dominance and ability to source high-margin goods effectively.

While the current state of economic uncertainty in the U.S. presents a multitude of challenges for all retailers, it also creates significant opportunities for those that specifically prioritize value-driven assortments. Consumers are increasingly price-conscious, and those retailers that can provide exceptional deals will not only survive but thrive in this environment. Offering high-value merchandise at competitive prices not only attracts budget-conscious consumers; it also fosters long-term loyalty. We have seen time and again that retailers willing to embrace this strategy benefit from increased foot traffic, repeat visits, and sustained growth. Economic downturns and market shifts often create openings for strategic players to strengthen their market positions. Capitalizing on excess inventory opportunities, such as those discussed in this article, can enable mainstream and off-price retailers to position themselves for continued success in this rapidly evolving landscape.



**MADALYN LAUNER IS A SENIOR VICE PRESIDENT AT HILCO WHOLESALE SOLUTIONS**

Madalyn joined Hilco Global in 2021 with a strong corporate retail background with buying experience in both department stores and off-price retail, primarily focusing on ladies apparel. Known for her innovative approach and strong vendor relationships, she has consistently driven sales and margin growth through data-driven strategies. Madalyn's extensive network of over 200 vendors allows her to source competitive products and stay ahead of market trends. A graduate of The Ohio State University, Madalyn continues to leverage her expertise to deliver exceptional results for Hilco Wholesale Solutions clients. Contact Madalyn at [malauner@hilcoglobal.com](mailto:malauner@hilcoglobal.com) or 213.500.3554.



**RAYMUNDO ARMENDARIZ IS CHIEF OPERATIONAL OFFICER AT HILCO CONSUMER – RETAIL**

He joined Hilco in 1999 and has overseen the execution of numerous transactions covering a broad range of inventory categories and store formats within the continental United States, Puerto Rico, Mexico, Canada, Australia and UK. Ray served as head of Steals & Deals, Chief Operational Officer of Fixture Finders and most recently as Chief Executive Officer of Hilco Wholesale Solutions. He now serves as Chief Operational Officer of Hilco Consumer-Retail.

Ray has broad experience in overseeing delivery of tailored solutions to exacting client needs and has driven numerous efforts to effectively and efficiently monetize the inventories of asset classes including: Apparel, Footwear, Toys and Games, Books, Sporting Goods, Housewares, Health and Beauty Products, Grocery Items and End of Season Merchandise.

Leveraging Hilco's global disposition capabilities, infrastructure and expertise, Ray and the Hilco Wholesale Solutions team are able to efficiently re-market merchandise assets while at the same time avoiding channel conflict. The end result is a timely, tailored disposition program that maximizes recovery and provides needed liquidity for clients. Contact Ray at [rarmendariz@hilcoglobal.com](mailto:rarmendariz@hilcoglobal.com) or 915.276.6261.

