

Retailers holding on to inventory longer, study shows

Hollie Shaw, Published: Monday, July 06, 2009

A new study reveals North American retailers are holding on to their inventory for much longer than they did on average in pre-recession 2006.

The data from market researcher Sageworks Inc., which analyses privately-held companies, said jewelry, luggage and leather stores held their inventory for 19 days longer in the past 12 months than they did in 2006, the largest increase of any retail category. That was followed by nurseries and lawn equipment stores, with a rise of 14 days between now and the earlier period.

"As we all know, the longer it takes for inventory to turn, the more serious the implications are on cash flow and profits," the report noted.

Inventory at grocery stores, a category generally viewed as 'recession proof,' was being held on average for the same number of days as in 2006.

Meanwhile, auto parts and tire stores actually had lower inventories now than they did in the 2006 period, holding on to inventory for four fewer days than they did on average in 2006. That is "likely because people are repairing what they already own, as opposed to buying new," Sageworks said.