Why is setting a stop loss price so important?

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If your goal is to liquidate your inventory as quickly as possible and price realization isn't important to you, setting a very low or even no Stop Loss will ensure that products get scheduled so rapidly that you could potentially liquidate everything on *the same day you install Loss Leader*. This *could* be a great strategy if you were selling sample products or merchandise that has already been written off in your financial bookkeeping.

Most of the time though, merchants want to achieve some minimum amount per sale for the product, and that's where Stop Loss will help you reach your target.

What is it?

"Stop Loss" is the minimum price that you would ideally accept for the product sale. When you sync products from your Shopify store to liquidate through Loss Leader, they will be scheduled to run in front of our audience of millions of avid shoppers, who will purchase them through a fast-moving auction format where bids start at $1 and increase quickly based on demand.

Bidding is determined by our audience of shoppers and their interest in the product, and Stop Loss doesn't affect the eventual auction price. Stop Loss does ensure that we will stop running your product in the auctions if invoice sales are averaging less than your Stop Loss amount for that product.

On the other hand, if your product's sales are averaging at or higher than your Stop Loss, we will continue running that SKU, scaling to meet the audience demand as long as there is available inventory.

Don't think of it as a reserve price—Stop Loss instead acts as a guardrail to stop your loss. Stop Loss prevents our algorithm from running too much of the product if it has not realized your goal price.

3 Tips to know when setting a stop loss price

1. Stop Loss is set at the product level, but if your product has different variations, you might want to set a separate Stop Loss for different variants of the product. Overstock of a particular less popular size that you're willing to trade some additional loss on to free up space in the warehouse is a good example where you might want to set a different Stop Loss by variation.
2. If you're not liquidating a product fast enough, consider lowering the Stop Loss or the Shipping Price, or experimenting with both of these settings. Products with no Stop Loss are only limited by your available inventory quantity, and they will run as quickly as they are sold to meet the demand. In this scenario, your actual cost of liquidated inventory can be allocated toward your advertising budget, because each sale will be a newly acquired customer for you.
3. If a product is selling very fast but orders are not realizing the price you had aimed for, consider raising the Stop Loss. We will stop scheduling the product if the average selling price of the last 5 orders is lower than your Stop Loss amount.

Whether you are using the Loss Leader App to clear up space in your warehouses or grow your re-marketing lists, a stop loss price is a crucial tool to ensure that you liquidate inventory at cost. Understanding the mechanics of our rapid liquidation tool is the key to being a successful Tophatter vendor. If you have any questions about stop loss prices or other Loss Leader best practices, refer to our FAQ page or contact us directly!

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