Introduction

• Merchandising strategies are conceived by the retailer and executed by the buyer
  – Buying at cost and selling at retail are the fundamental cornerstones of the buyer’s job

Introduction

• Weather fashion, hardware or supermarket buying the same set of concepts and mathematical calculations are connected to the 3 elementary factors:
  – Retail
  – Cost
  – Profit

Retailing is,…?

• the many activities involved in selling small quantities of goods and/or services at a profit to the ultimate consumer
• Merchandising is,…?
• combines the “rights”:
  – merchandise
  – place
  – quantity
  – Price
  – Time
Buyers

• Go into the market buying to the customer has the merchandise they want when they want it
• The growth of retailers and retailing formats has augmented dramatically competition and seriously eroded profit margin
• It augers for the study of retail math

The fundamental

• Mathematical background gives insight into how merchandising problems are solved and why merchandising decisions are based on figures
• The units in the text are arranged to allow for study to begin at any point in the “circle” of retail mathematics
• Each unit constitutes a separate topic of study

Unit I

• Merchandising for a profit
  – Analysis of a P & L statement
  – It reports a summary of the achievement of a particular unit:
    – Department
    – Store
    – Company
  – It reports over a specific time period
The buyer is the

- Force that buys, prices, reprices, and negotiates merchandise in stores
- The fundamental relationships between the 3 profit factors noted in slide 2 govern the results of a buyer's efforts
- It provides an analytical picture that allows a determination of the strengths and weaknesses and facilitates comparisons with counterparts

Unit II

- Retail pricing and repricing of merchandise
  - The relationship between pricing factors and the effect on gross margin and, consequently, profit
  - Use is determined by choice and value
  - Choices determine relative value
  - Prices, therefore, reflect uses and choices

Buyers are guided by

- A prescribed price line structure that helps plan merchandise offerings
- It produces an assortment balanced in variety or—Breath
- And depth or—Assortment
- All retail activity is measured in terms of price
- The relation between buying and selling price largely determines profit
Unit III

• Markup and Profit
  – Achieving the markup established by management is the buyer’s goal
  – During purchasing it is neither desirable nor common to require that each item be retailed with the same markup percent
  – The goal is to meet the overall target for profit
  – Many factors affect the pricing of merchandise to sell it, causing it to sell at a lower price
  – Recognizing these factors enables the buyer to react quickly and make the necessary adjustments, averaging high and low markups to achieve the required predetermined average

Unit IV

• Retail method of inventory
  – It’s essential feature is...
    • to determine the total value of stock on hand without taking an actual count of the merchandise
    • Inventory value is a significant factor in determining how much to buy and determining profitability
    • While the calculation of stock on hand is not performed by the buyer, the accuracy is largely effected by price changes
    • In turn it helps the buyer protect gross margin

Unit V

• Dollar planning and control
  – The most popular subject in retailing may be the budget for stock and sales, aka the 6 month plan
  – It’s the projected goals for stock in ratio to sales, amount and timing of markdowns, average markup and timing of purchases
  – It forecasts and controls the purchase and sale of merchandise
It’s designed to:

• Protect the Inventory investment and produce a profit by controlling the above mentioned variables
• The key is the projection of planned sales, the hub of all elements in the buying and selling circle
• Sales projection is a combination of past performance and projection
• Judgmental in prospective calculations it remains an imperfect science
• In action, the 6 month plan keeps balance between sales and stock

Unit VI

• Terms of sales, decided after “what” to buy requires great care in finalizing the arrangements with the seller
• In addition to price, the buyer must negotiate delivery dates, discounts, shipping terms and terms pertaining to payment
• Charged with the responsibility to achieve the best prices, the buyer must be cognizant of impact of these factors on the purchase price

Knowing

• What discounts are available and how they are calculated to determine the cost is the buyer’s responsibility
  – Pushing for discounts
  – extending credit terms
  – Providing specific shipping instructions
  – Negotiating transportation costs and insurance
• All have significant impact on margin, and therefore profitability
Mathematics for Retail Buying

- Focuses mostly on soft lines, (RTW, men’s and children’s) and home furnishings since they constitute the bulk of retail activity in today’s economy
- The future of retailing requires maintaining the proper assortment in correct quantities providing efficient use of investment at prices creating a constant flow of merchandise while assuring a profit
- These principles remain constant, although adjusted to accommodate the mode and tempo of life in the 21st century

While new formats

- Like pure plays and old formats like catalogue continue to gain momentum, challenging the traditional brick and mortar retailers
- And brick and mortar evolve into brick and click
- The basic profit elements, as we know them, will continue to drive the business and measure success