

What is merchandise management?

Merchandise management is the process by which a retailer offers the correct quantity of the right merchandise for the right place at the right time and meets the company's financial goals.

What are three characteristics to successful merchandise management?

Sense market trends, Analyze sales data, and make appropriate adjustments in prices and inventory levels.

The process of managing a retail business with the objective of maximizing the sales and profits of a category is known as what?

Category management

What is a category captain?

A selected vendor responsible for managing a category.

What is one problem that might arise from a vendor category captain?

A vendor category captain may have different goals than a retailer.

What do merchandise managers have control over?

The merchandise they buy, the price at which the merchandise is sold, and the cost of the merchandise.

What do merchandise managers not have control over?

Operating assets, human resources, real estate, supply chain management, and information systems.

What does GMROI stand for?

Gross Margin Return on Investment

How do you calculate GMROI?

Gross Margin x Sales to Stock Ratio

What are some advantages of rapid turnover?

Increased sales volume, less risk of obsolescence and markdowns, improved salesperson morale, and more resources to take advantage of new buying opportunities.

What are some approaches for improving inventory turnover?

Reduce number of categories, reduce number of SKUs within a category, and reduce the number of items in a SKU.

This category of merchandise is in demand for a relatively short period of time and has a continuous introduction of new products.

Fashion Merchandise Categories

What are some controllable factors affecting sales projections?

Promotions, store locations, merchandise placement, and cannibalization.

What are some uncontrollable factors affecting sales projections?

Seasonality, weather, competitive activity, product availability, and economic conditions.

Retailers develop fashion forecasts by relying on what?

Previous sales data, personal awareness, fashion and trend services, vendors, and traditional market research.

What is an assortment plan?

A list of the SKUs that a retailer will offer in a merchandise category and reflects the variety and assortment that the retailer plans to offer in a merchandise category.

This is the number of different merchandising categories within a store or department.

Variety

What is an assortment?

An assortment is the number of SKUs within a category

An _____ analysis identifies the performance of individual SKUs in the assortment plan.

ABC

A items represent _____ of sales.

70%

This type of brand is designed, produced, and marketed by a vendor and sold by many retailers.

National Brands

This brand is not made by the retailer

National Brands

What are private-label brands?

Private label brands are developed and owned by a retailer and only sold in the retailer's outlet.

What are the four categories of private-label brands?

- 1.) Premium
- 2.) Generic
- 3.) Copycat
- 4.) Exclusive co-brand

This private-label brand is comparable, even superior to, manufacturer's brand quality, with modest price savings.

Premium Private-Label Brand

What are some advantages to a private-label brand?

Unique merchandise not available at competitive outlets, exclusivity boosts store loyalty, difficult for customers to compare price with competitors, and higher margins.

What are some disadvantages to private-label brands?

Require significant investments in design, global manufacturing sourcing, need to develop expertise in developing and promoting the brand, and unable to sell excess merchandise, and typically less desirable for customers.

What is the national brand buying process?

Meet with the vendors, Discuss the performance of their merchandise during the previous season, review the vendor's offering for the coming season, possibly place an order, discuss merchandise and opportunities before placing an order.

After decisions are made on what and how much private label merchandise will be acquired, these steps should be followed.

Designers develop specs, find a manufacturer and all that comes with that, and use reverse auctions to get quality private label merchandise at low prices.

What is one important issue to be aware of the vendor's policy is what?

Their policy on money markdown.

What is money markdown?

Money markdown is the funds vendors give retailers to cover lost gross margin dollars due to the markdowns needed to sell unpopular merchandise.

Managing strong vendor relationships is an important method of developing a _____

A sustainable competitive advantage.

What are the four foundations of successful strategic relationships?

- 1.) Mutual trust
- 2.) Open communication
- 3.) Common goals
- 4.) Credible commitments.

What are some of the considerations with regards to setting retail prices?

- 1.) Price sensitivity
- 2.) Competition
- 3.) Cost
- 4.) Legal constraint

How can retailers reduce price competition?

Develop line of private label merchandise, negotiate with national brands manufacturers for exclusive distribution rights, and have vendors make unique products for the retailer.

What are a few reasons for taking markdowns?

To reduce slow-moving obsolete merchandise, increase sales and promote merchandise, increase traffic flow, and to generate cash to buy additional merchandise.

What is the traditional approach to markdown optimization?

Sell through, rule based, and use markdown software.

What is individualized variable pricing?

Set unique prices for each customer equal to customer's willingness to pay.

What is variable pricing by market segments?

Charge different groups different prices

What is zone pricing?

Charging different prices in different stores, markets, and or regions.

The following are the steps for what?

- 1.) Sell the merchandise to another retailer,
- 2.) Consolidate the unsold merchandise
- 3.) Placing the merchandise on an internet auction site
- 4.) Donate the merchandise to charity
- 5.) Carrying the merchandise over to the next season.

Liquidating markdown merchandise.

What are some techniques for increasing sales?

Leader pricing, Price lining, and Odd pricing

What is price lining?

Price lining is where you have a limited number of predetermined price points.

What are some of the benefits of price lining?

Eliminates confusion of many prices, merchandising task is simplified, gives buyers flexibility, and can get customers to "trade up."

What are the advantages of extending a brand name?

Develop awareness and image quickly and less costs needed to promote extension.