



# STORE MANAGEMENT VISUAL MERCHANDISING



# Responsibilities of a store m

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Functions-six categories

- Managing employees
- Controlling costs
- Complying with legislation
- Store maintenance & upkeep
- Managing merchandise presentation
- Providing customer service

## RETAIL

*An individual responsible for managing the overall functioning of the store is called a store manager. He takes care of the day to day operations of the store and ensure max profitability of his store.*

# Role of the store manager

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## **Customer service**

- Instilling in employees importance of customer service
- Promote and monitor quality of service
- Being approachable and available

## **Budgeting and planning:**

- Ensure that department goals are met through appropriate p
- Develop and monitor capital expense budget
- Protect company's assets and inventory

# ROLE OF A STORE MANAG

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## Personnel

- Hires the right people for the job
- Inspires employees
- Delegate workload appropriately and effectively
- Performance Evaluation
- Communication:
- Communicate with management
- Company policies and procedures to staff
- Hold meetings, trainings and motivate.





# Legal compliance

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Compliant with all employment laws such as wage and hour, human rights, equal employment

Safe working conditions

Ensure store security from internal and external theft

# 5 S of retail operations

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- Stock
- Space
- Staff
- Systems : procedures on how things are done by the retailer
- Standards : standards set by the retailer in terms of service w

# Tasks to be performed in re

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## **Administration-**

- Store opening
- Store closing
- Handling Payments-Cash and Credit
- Events and Promotions
- Management of premises

## **Merchandising:**

- Tally, order, Replenish , Return , Display

**Customer** – service, advise, returns, complaints

# Store security

Store security involves two basic issues :

- Personal security
- Merchandise security

Personal security:

Stores dealing with hazardous chemicals-pos

- Customer security-security , metal detectors
- Bright lights in parking lots,TV cameras
- Deposit of money in banks

# Merchandise Shrinkage

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**Shrinkage** is the difference between the recorded value of merchandise bought and received and the value of merchandise sold and distribution centres divided by retail sales during the period.

- Indian retailers –highest shrinkage (3.10%)
- Of the external shrinkage losses
  - 23.7 %-employee theft
  - 23.2%-administrative errors
  - 27.8% -internal fraud
  - Cash , coupons , vouchers , or gift cards -32.0 % internal

Highest average rates of shrinkage –apparel, clothing (1.71%)

Vehicle ,auto parts, hardware, building material (1.6)

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Cosmetics/perfumes, beauty supply pharmacy(1.6)

Lowest –footwear/sports/shoes and sporting goods (0.83%)

Causes of invisible shrinkages include:

- Shoplifting articles by consumers and customers
- Pilferage of merchandise and articles by employees
- Burglary and robbery during nights and off hours

# Shoplifting

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- Computer manipulations and mistakes. Credit card
- Wrong reporting by purchase section
  
- Most common causes of shrinkage-shoplifting by employees
  - ✓ Screen employees before recruitment
  - ✓ Guards checking belongings of employees
  - ✓ Locks are changed periodically and keys are maintained by personnel.

# Preventive Shoplifting

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1. Design of store and effective placement of merchandise to prevent shoplifting effectively
2. Costly small merchandise-near store exits
3. Hidden surveillance equipment such as closed-circuit television
4. EAS-Electronic article surveillance
5. Adequately staffed with staff



# Parking Space

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Amount of parking space is measured in two

Total area devoted to parking by net retail a

Compute number of parking spaces per 1000  
space

Problems related to parking space

- ❖ Parking by Non shoppers
- ❖ Parking space used by store employees
- ❖ Inadequate parking space

# Factors considered in allocation

- ❖ Total quantity of parking
  - ❖ Size of the Parking area
- ❖ Parking area Location
- ❖ Single or multiple level parking
- ❖ Walking distance
- ❖ Parking of its **operation**; most common one is 60 degree and exit in a **sound traffic lane**.
- ❖ The 90 degree angle provides the most **parking** area b entry and **exit** in the **stall**.



## Parking Space

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- ❖ Parking turnover-Number of automobiles that pass through a parking space during a given period of time.
- ❖ Analyse based on type of stores present.
- ❖ Parking ratio: real relationship that exists between the number of parking spaces and the gross floor area

# Store records

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There are four sections in the process of storing records:

- (a) Receiving section,
- (b) Storage section,
- (c) Accounting section, and
- (d) Issue section.

Has to store receipts, sales records, loan status information and past tax data

**Following procedure is followed in receiving these**

- (i) Receiving these incoming materials in stores.

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- (ii) Checking and inspection of these incoming materials.
- (iii) Recording the incoming materials in goods received notes.
- (iv) Preparing and forwarding goods inwards note to the stores.
- (v) Informing the purchase department about damaged, surplus or deficit supplies etc. along with rejection forms.
- (vi) Returning damaged or defective goods to the supplier as per the instructions of the purchase department.
- (vii) Forwarding the materials to respective stores as per the instructions to be stored or preserved.

## Bin cards

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- It is an individual stock-keeping record that holds information about lot number or batch number . Every item in that lot will have the same lot number.
- bin is a place, i.e., a rack, a shelf, almirahs and other equipment for a specific purpose where goods are stored.
- Bin cards-or systematic storing, each type of material kept in a bin, almirahs, etc.
- For each bin a card is maintained containing the material name, quantity, store-keeper. One card is attached to each bin and the name of the store-keeper.
- A bin card is a quantitative record of receipts, issues, and balance.

- ✓ It enables to know the quantity of material
- ✓ Bin card maintained by the store-keeper.
- ✓ This card is used not only for recording records also assists the store-keeper to control the stock
- ✓ A bin card the store-keeper to prepare purchase order and replenish the exhausted material.
- ✓ It also helps in locating the discrepancy when physical verification; undertaken and the balance corrected.
- ✓ It contains particulars such as number, description, code number of material, maximum, minimum levels.
- ✓ Bin cards contain valuable information with respect to the issue of materials, which is greatly helpful in inventory control. These cards are further helpful in maintaining various levels of materials viz., maximum, minimum, and reorder level.

## Benefits of a Bin Card

Bin card has the following benefits or utilities:

- (i) As the most important store record it gives up-to-date balances of items of stores.
- (ii) It is helpful in placing requisitions for replenishment. The re-ordering quantity is also available in this card.
- (iii) It makes Perpetual Inventory system meaningful. The stock with balance shown in the bin card.
- (iv) It helps to control material cost with minimum inventory. The store-keeper keeps the stocks within the prescribed limits.
- (v) It discloses at a glance to any one in the stores the actual stock. It helps in a system of internal check as many store keeping is available from bin card.



## Store ledger

- ❑ A stores ledger is a record of materials showings receipts in quantities and value.
- ❑ It is maintained by the Costing Department and is outside ledger is maintained in order to ensure correct stores acco
- ❑ This ledger is usually of loose leaf or card type and each a materials. The sheets are numbered serially and initiated b avoid the risk of removal or loss.
- ❑ ,the stores ledger is maintained in bound volumes so as t folios.
- ❑ This ledger is maintained in order to ensure correct store Entries are posted after the transactions take place.  
Entries are posted periodically.  
Entries are supported by material received note and mater

# Benefits of Stores Ledger

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The benefits of stores ledger are given below:

- (i) It is an account record which provides information on balances both in quantity and value.
- (ii) It is maintained centrally in cost office from where information may be made available.
- (iii) It constitutes a check on the quantity recorded.
- (iv) Frequent overall review of stores balances may be the help of stores ledger.

# Stock control cards

It is an individual stock-keeping record  
information about *all* the lots of a single

Similar to bin cards

Maintain quantitative records of stores

Stock on order

Cabinets or trays

The inventory control card may be a su  
many bin cards for a particular produc

# Techniques for recording s

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1. Periodic verification-quarterly , half early -1 or 2
2. Continuous, automatic or perpetual stock verific

known as “the automatic inventory system”, this me  
constant track of the quantity and value of each stock

Many wholesale distributors leverage a combination  
[Planning](#) (ERP) or [Warehouse Management System](#) (  
an Inventory Optimization solution, such as EazyStock  
balances.

.A-quarterly,b-twice, c-thrice

# Techniques for recording s

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Spot checks

Stock out store verification-Particular invent

Storekeeper keeps record of such verificatio

Annual stock checking

# LIFO

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This method assumes that inventory purchased last is so received lot until all units from this lot has been issued a lot received is used for pricing

**Purpose of assigning costs and not physical flow of good**

## **Example**

Bike LTD purchased 10 bikes during January and sold 6 b

January 1 Purchased 5 bikes @ \$50 each

January 5 Sold 2 bikes

January 10 Sold 1 bike

January 15 Purchased 5 bikes @ 70 each

January 25 Sold 3 bikes

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BZU uses perpetual inventory system to record LIFO method to value its inventories. The following information about commodity DX-13C is in computing the cost of commodity DX-13C so inventory of commodity DX-13C.

Aug. 01: Beginning inventory; 20 units @ \$40 per unit.

Aug. 07: Sales; 14 units.

Aug. 12: Purchases; 16 units @ \$42 per unit.

Aug. 17: Sales; 8 units.

Aug. 23: Sales; 4 units.

Aug. 27: Purchases; 8 units @ \$44 per unit.

Aug. 30: Sales; 10 units.

Date	Purchases	Sales
Aug.01	Beginning inventory	
Aug.07		14 units × \$40 =
Aug.12	16 units × \$42 = \$672	
Aug.17		8 units × \$42 =
Aug.23		4 units × \$42 =
Aug.27	8 units × \$44 = \$352	
Aug.30		8 units × \$44 = 2 units × \$42 =
Total	\$1,024	\$



# FIFO

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This method assumes that inventory purchased or manufactured inventory remains unsold.

Mar 1	Beginning Inventory
5	Purchase
9	Sale
11	Purchase
16	Purchase
20	Sale
29	Sale

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FIFO Periodic

Units Sold = 94 + 116 + 62

Units in Ending Inventory = 326 - 272

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<b>Cost of Goods Sold</b>	<b>Units</b>
Sales From Mar 1 Inventory	68
Sales From Mar 5 Purchase	140
Sales From Mar 11 Purchase	40
Sales From Mar 16 Purchase	24
	<b>272</b>
<b>Ending Inventory</b>	<b>Units</b>
Inventory From Mar 16 Purchase	54

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Date	Purchases			Sales		
	Units	Unit Cost	Total	Units	Unit Cost	
Mar 1						
5	140	\$15.50	\$2,170			
9				68	\$15.00	
				26	\$15.50	
11	40	\$16.00	\$640			
16	78	\$16.50	\$1,287			
20				114	\$15.50	
				2	\$16.00	
29				38	\$16.00	
				24	\$16.50	

## Highest in first out method

The inventory with the highest cost of purchase is the first

Inventory that is recorded as used up-most expensive inv

Suitable –constant fluctuation

## Next in first out:

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Here materials issued are valued at the price quoted on the order is placed.

## Standard price:

Materials are issued at a standard price.

## Specific price method:

Under this method materials are issued at the price at which It is suitable for job industries which carry out individual job orders.

### **Moving simple average price method:**

Rate for material issues is calculated by dividing the total of purchase prices during the period by the number of periods.

### **Periodic simple average method:**

Average price is calculated periodically

Total of purchase prices during the period

### **Moving weighted average method:**

Weighted average is computed by dividing total amount by total quantity

### **Replacement method:**

It is one at which material can be replaced by purchase from market

Here cost of the materials in hand is not considered. When market price is ascertained and the issue is priced at that price.

## **Base stock method:**

The method is based on the contention that a company maintains at all times a minimum quantity of goods in its stock. This quantity is termed as base stock and is deemed to have been created out of capital and, therefore, it is always valued at this cost as a fixed asset.

## **Inflated price method:**

In case the material suffers loss due to its inflation, the material is inflated to cover losses.

# Coding system : Bar code

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## Barcode:

Graphical representation of a code enables a scanning device to access data in a database where further information about the product is stored. The data can be re-transmitted back to a computer to be read.

## Benefits:

- Improves operational efficiency
- Saves time
- Reduces errors
- Cuts costs

# Limitations

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- Pricing Discrepancies and Scanning p
- Label damage
- Financing and equipment costs-Train requirements



# Material handling

“ A right method to provide right amount of right material, in the right time, in the right sequence, in the right position, in the right place”

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Activities covered in Material handling

1. Shipping
2. In storage handling
3. Shipping

Storage activities:

Planned storage: Basic inventory replenishment

Extended storage: inventory in excess of planned storage operation

# Importance of good material

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- ❖ Regular product movement
- ❖ Space availability
- ❖ Reduces Idle labour time
- ❖ Improves customer service

# Factors affecting mod management

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Distance

Customer loyalty

Purchase intention

Customer satisfaction

Perceived value factors-customer value triad

Store assortment

Socio-economics

# Key components of retail a

1. Exterior atmospherics
2. Interior atmospherics
3. Store layout
4. Visual merchandising



# Key components of retail a

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## Atmospherics

Design of an environment with the help of visual color, color, music, and scent to stimulate customers perceptions and responses and thereby influences customer behavior

## Aesthetics:

Actual size of the store, colors, texture used to create the atmosphere of the store

# Principles of store design

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- Totality
- Focus
- Ease of shopping
- Change and flexibility

# Elements of retail store atr

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## Exterior Atmospherics

- Storefront
- Entrances
- Display windows
- Size of building
- Visibility
- Adjoining stores
- Parking
- Accessibility

# Elements of retail store atr

## Exterior Atmospheric

- Storefront
- marquee
- Entrances
- Display windows
- Size of building
- Visibility
- Adjoining stores
- Parking
- Accessibility



Store

- Marquee generally n





# INTERIOR ATMOSPHERICS

- FLOORING
- LIGHTING
- ODOUR
- FIXTURES
- WALLS
- TEMPERATURE
- TRIAL ROOMS
- PERSONNEL
- CLEANLINESS



Interior store design is a function of

- aesthetics within the store
  - Merchandise sold within and the space used for the same
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- Overall layout of the store
  - Key factors
    - -space planning
    - -Atmospherics and aesthetics:
      1. Fixtures-tables,racks,shelves,gandolas
      2. Flooring and ceiling
      3. Lighting
      4. Graphics and signages



Theme graphics

Campaign graphic

Promotion graphics

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Signages

Merchandise related –informs customers about the

Directional signs-cash counters, customer service an

Instructional signs-caution boards,

Courtesy signs-visit again

Store directory-informs customer about location of

# Window display



# STORE LAYOUT

Interior retail store arrangements of departments

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FLOOR SPACE ALLOCATION FOR SELLING

CUSTOMERS

TRAFFIC FLOW

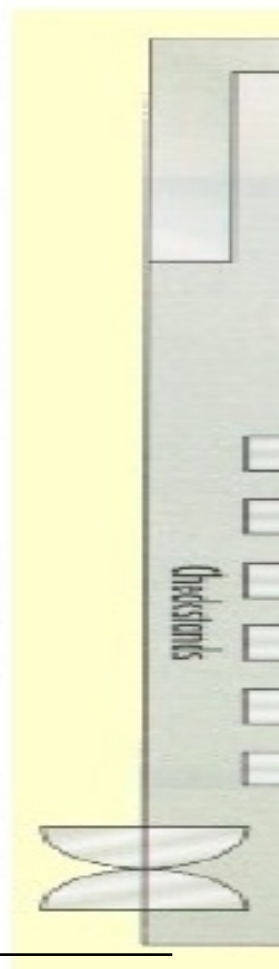
DEPARTMENT LOCATION

SPACE/MERCHANDISE CATEGORY

SIGNAGES

## Grid Layout

- Counters and Fixtures are placed in long rows or “runs” usually at right angles, throughout the store
- This layout is used in grocery, discount store and drugs stores, like-Reliance fresh
- Advantages-: Easy to locate merchandise, cost efficient, easy accessible for customers
- Disadvantages-: limited browsing and limited creativity in decor

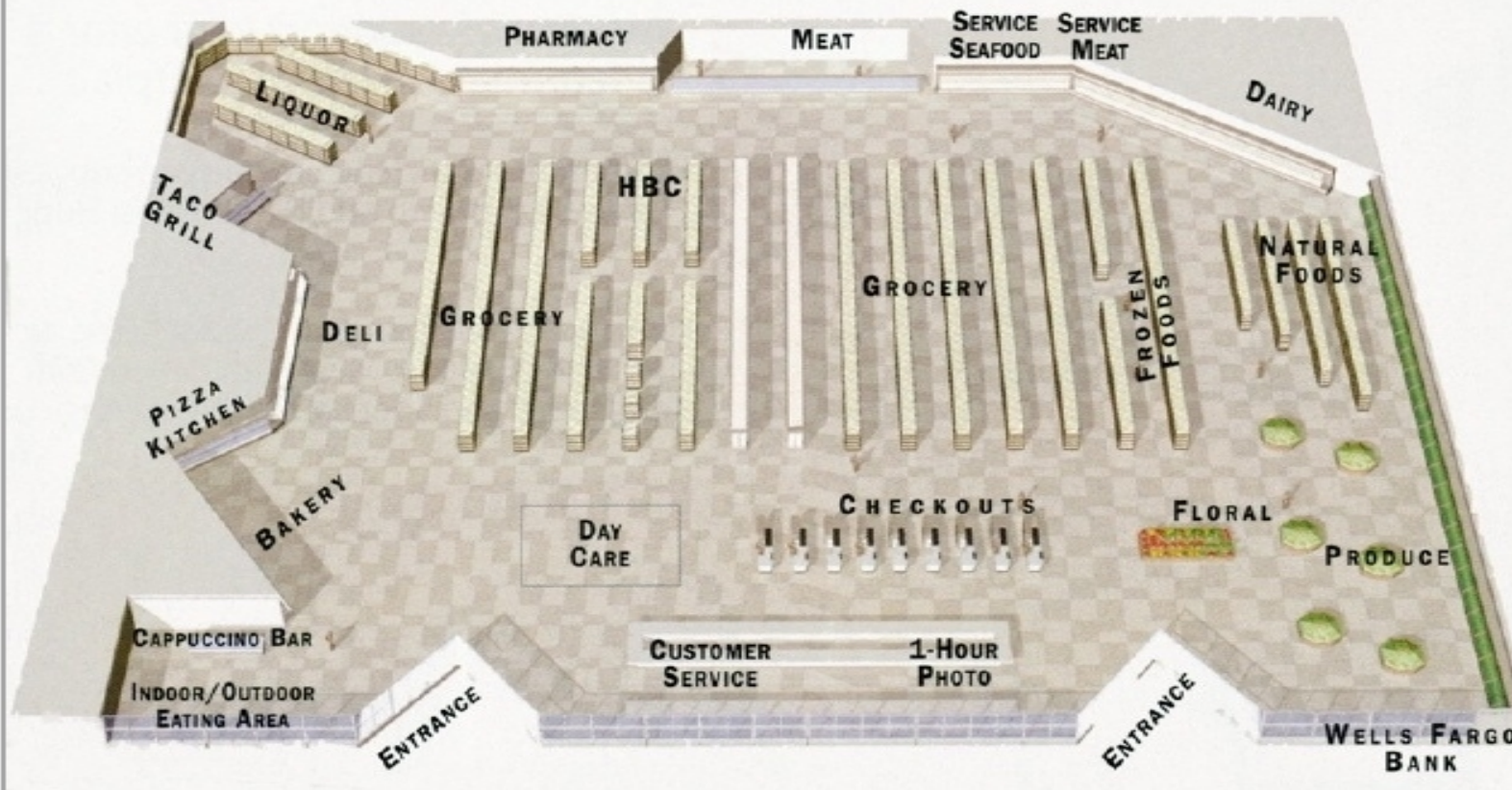


## Grid Layout

- Another traditional form of store layout is the grid layout. In this layout, counters and fixtures are placed in long, straight lines at right angles, throughout the stores. Customers can easily circulate up and down through the fixtures, and the layout is often referred to as a maze.
- The most familiar example of the grid layout is the drugstore.
- The grid is a true shopping layout, best used for stores in which the majority of customers wish to shop.

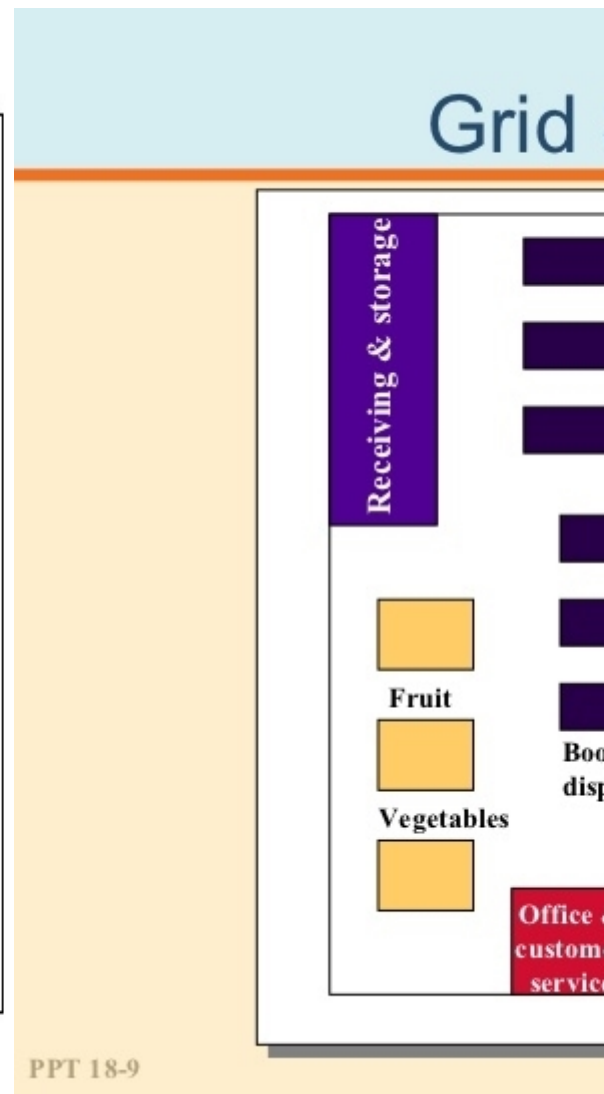
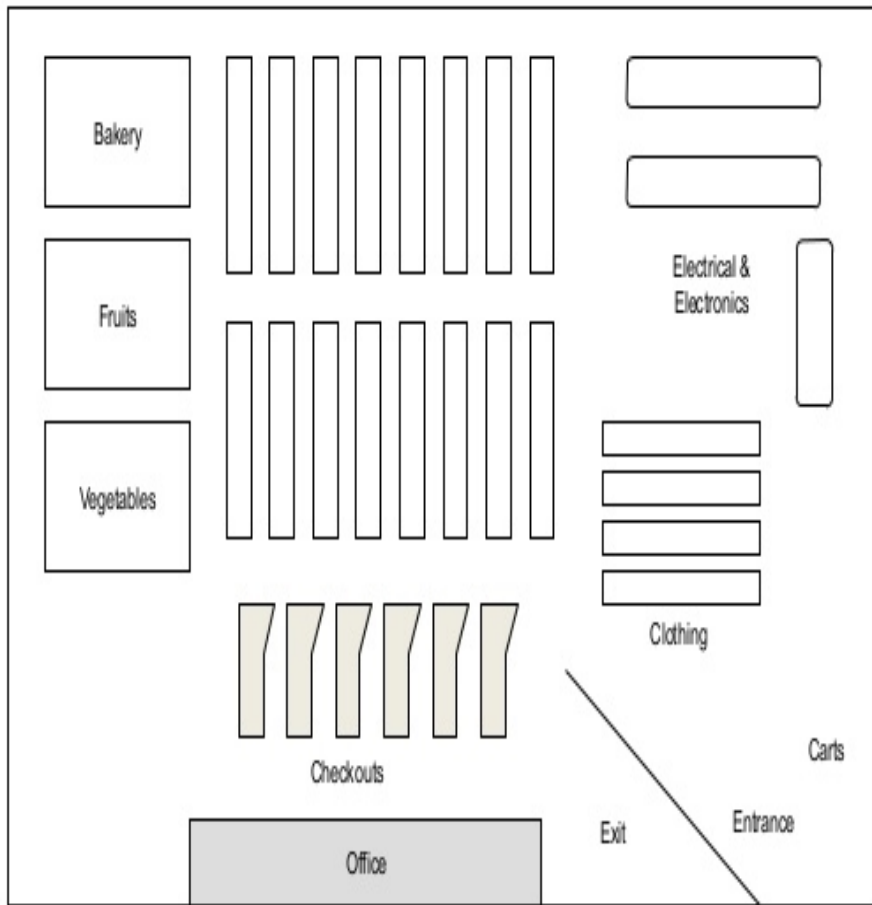


# Grid (Straight) Design





# Grid layout



PPT 18-9

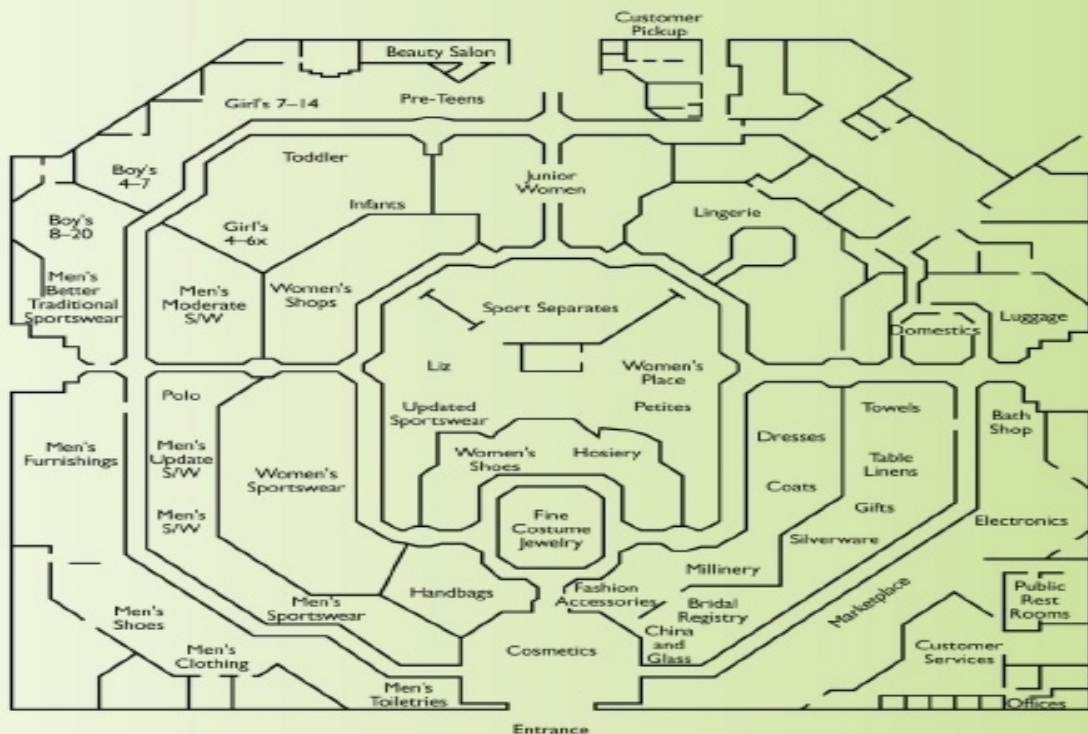
Display is in the form of racetrack or loop with a major  
Aisle provides various shop in shops or departments with

## Race Track

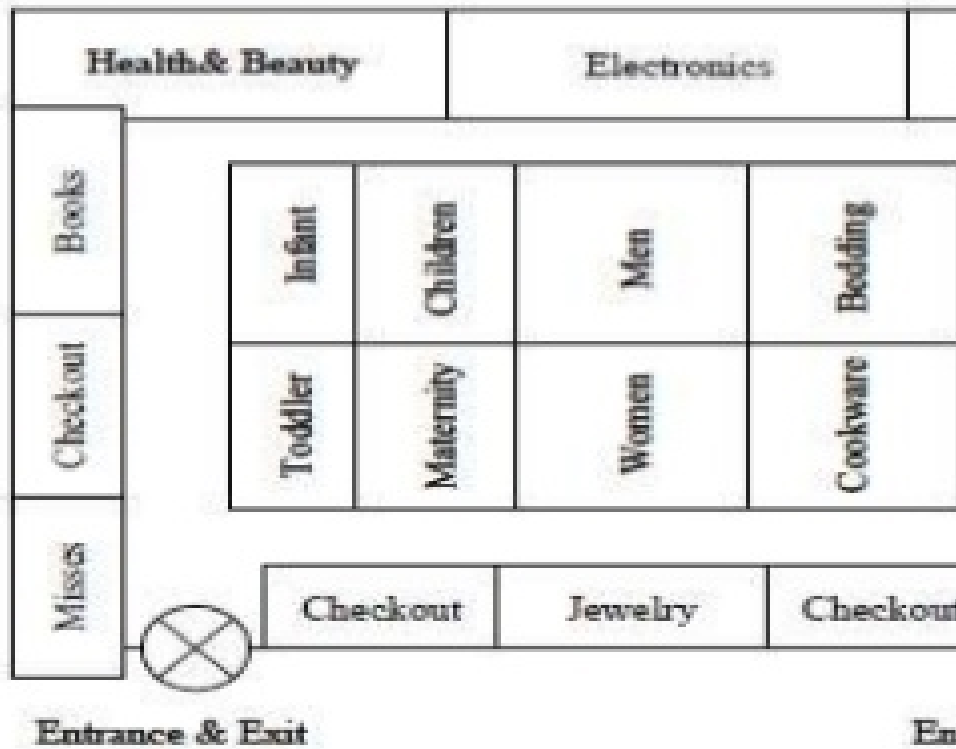
- The major customer aisle begins at the entrance, loops through the store and returns customer to the front of the store
- Used in departmental stores such as-: Shopper's Stop, Ritu Wear.



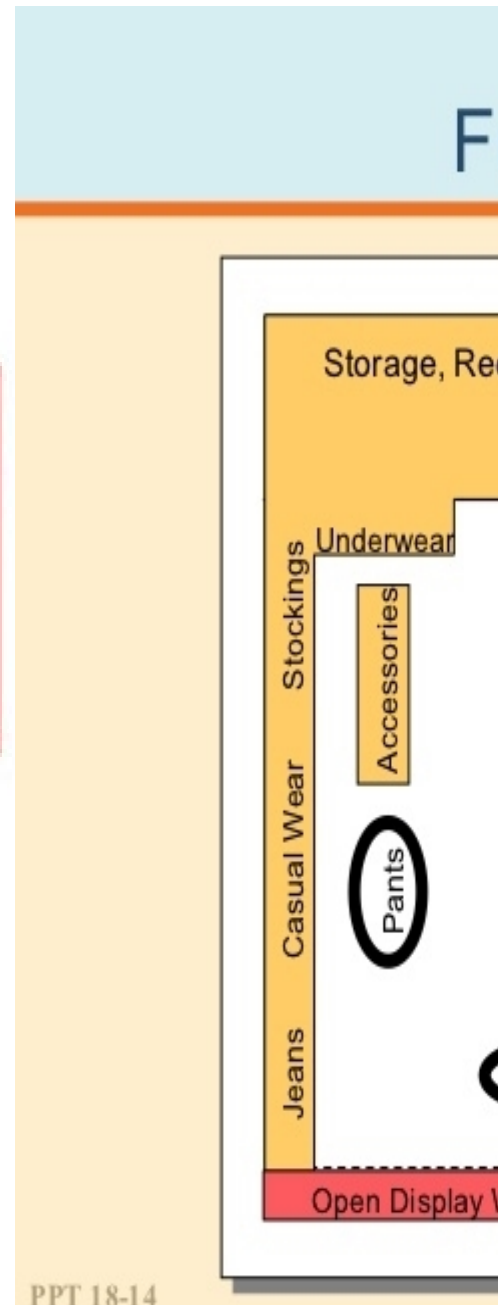
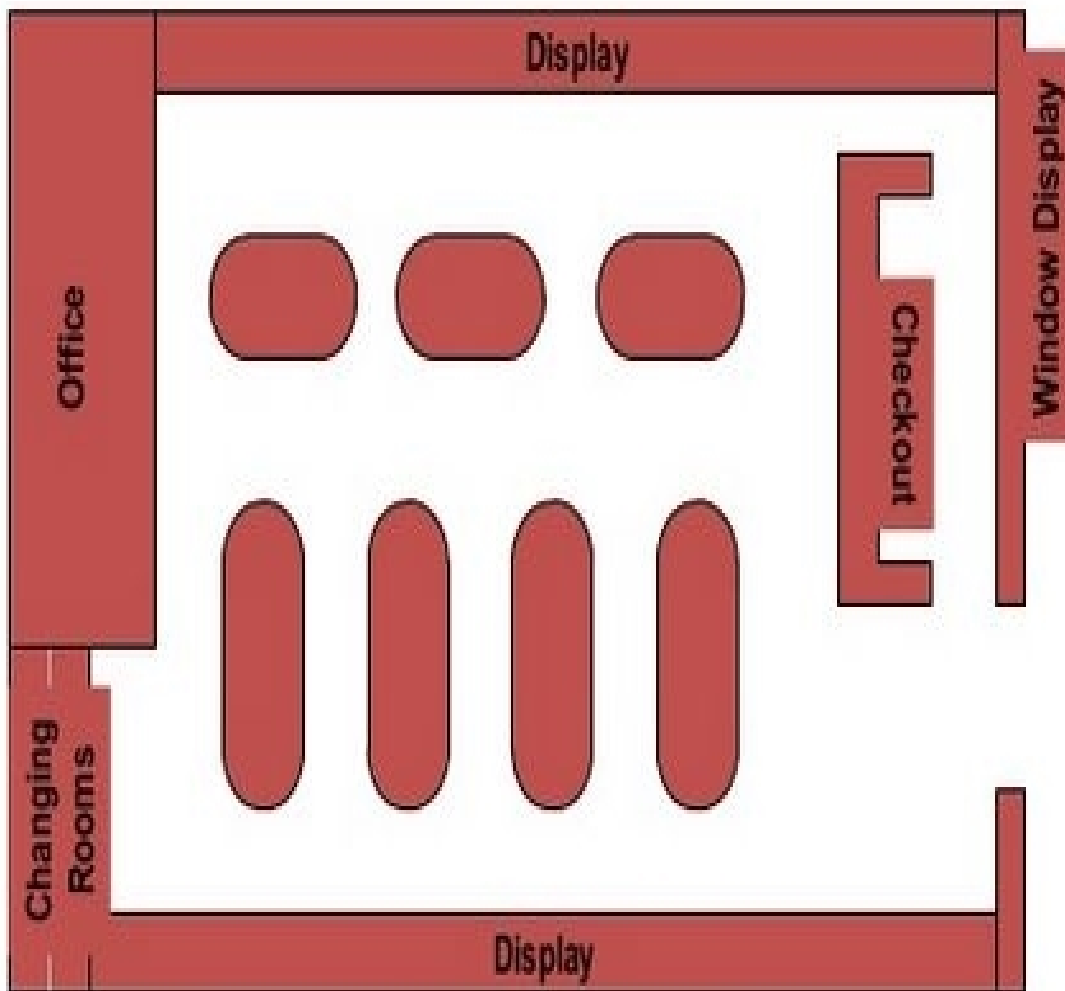
# Curving/Loop (Race Track Design)



# Racetrack/loop



# Free form layout



PPT 18-14

# Free form layout

Boutique layout, arranges fixtures in an asymmetric pattern. Use in small stores or within depts of large stores

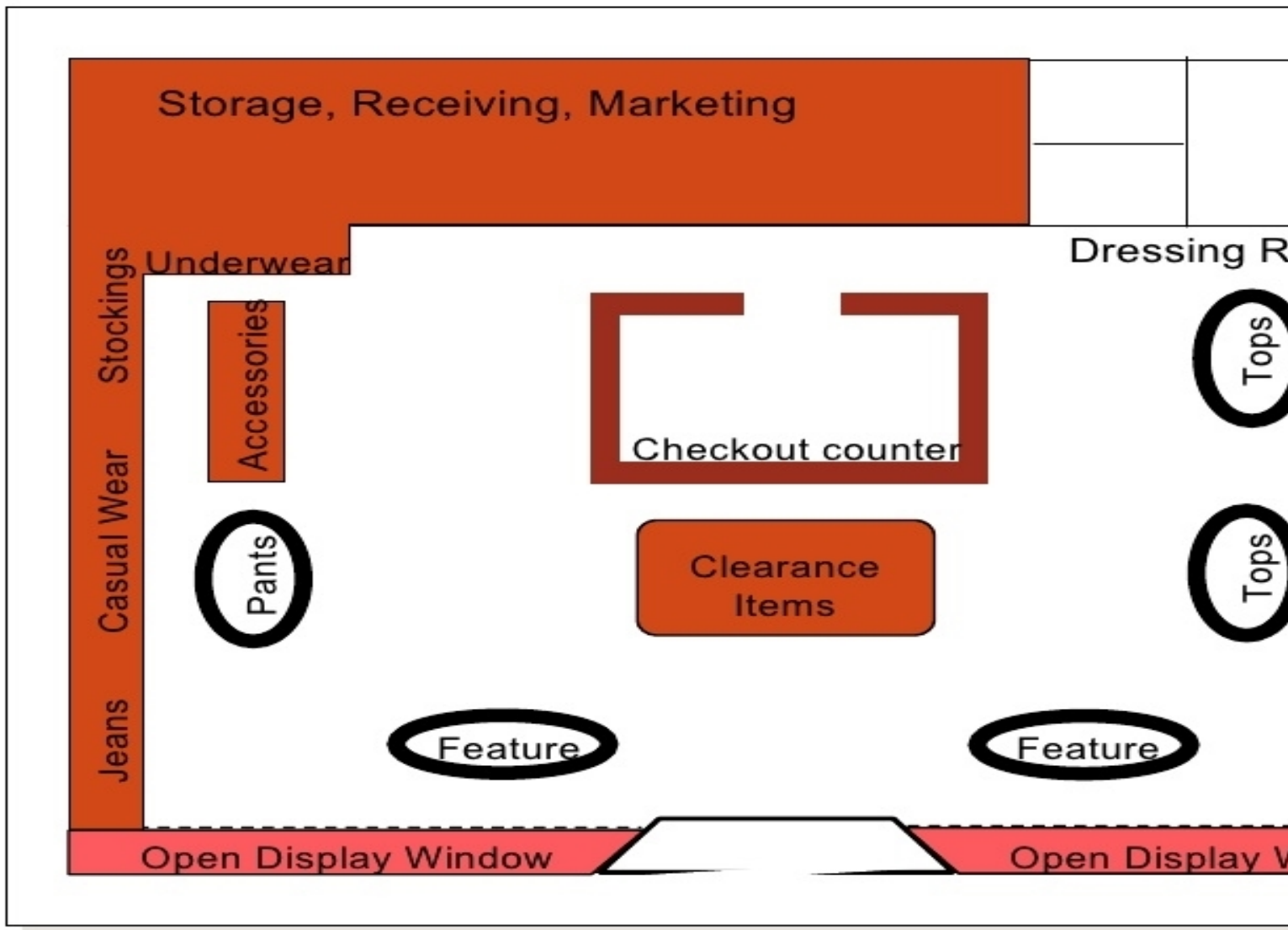
Provides an intimate and relaxing environment that facilitates shopping and browsing

No well defined aisles  
customer movement towards the merchandise  
Personal service is important  
some retailers provide space to create a unique environment

## Free Flow/ Boutique

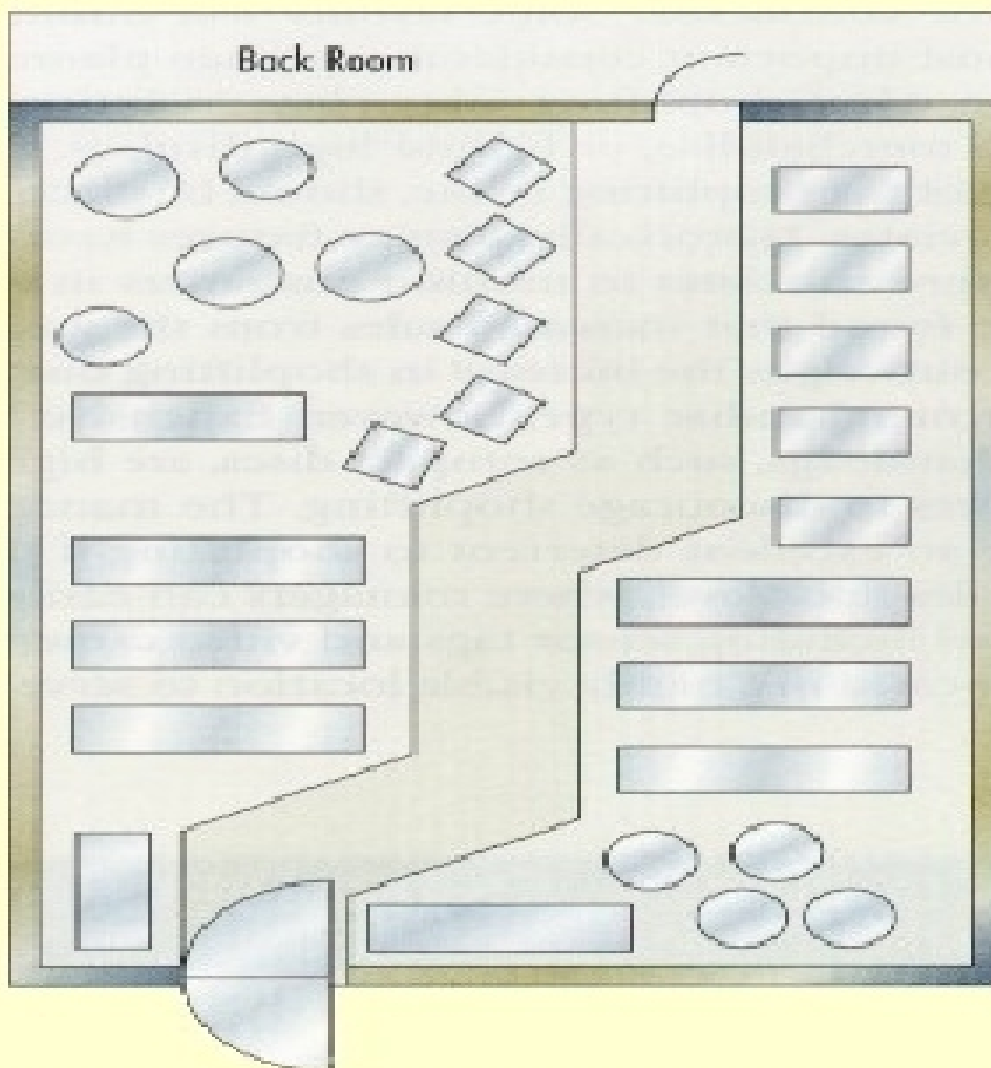
- The simplest type of store layout is a free flow layout. In this type of layout, fixtures and merchandise are grouped into sections on the sales floor.
- Customers are encouraged to flow freely through the store because there are usually no defined traffic patterns.
- This type of layout works well in smaller stores, less than 5000 square feet, in which customers can see all the merchandise.
- If there is a greater variety of merchandise, such as women's apparel, bedding, and health and beauty products, a free flow layout fails to provide cues as to where to go next, and this can start confusing the shoppers.

# Free-Flow Layout



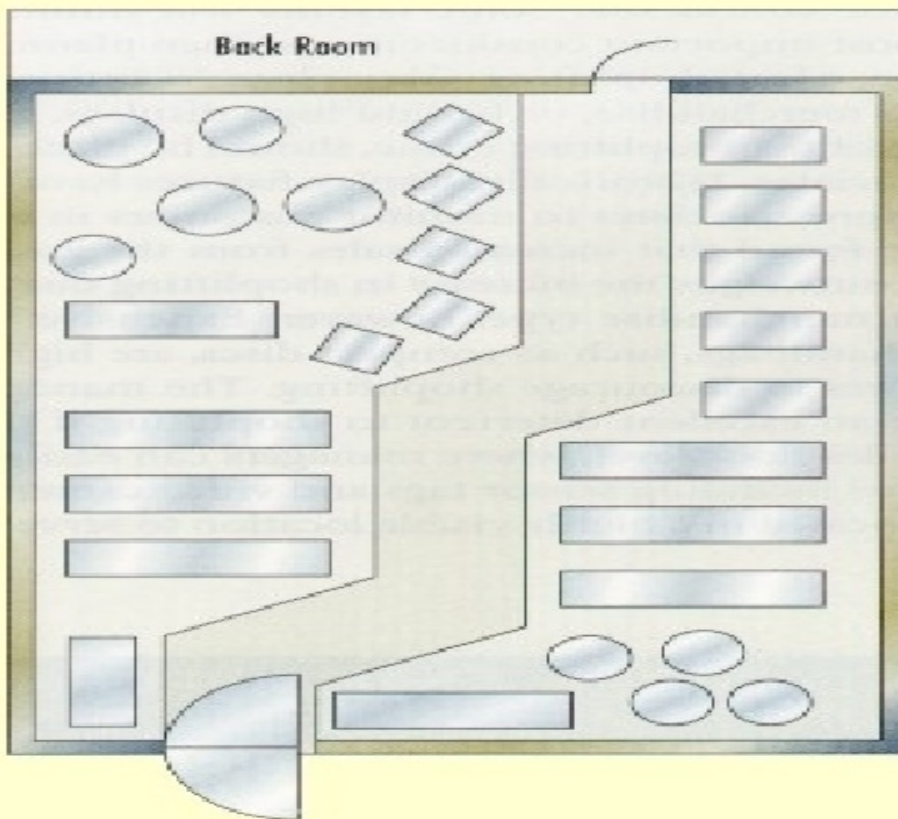


# Spine Layout



- Variation layouts
- Based on the front to (transport)
- On either department side walls
- Heavily stores ran feet
- In fashion offset by surface a

# Spine Layout



- The main aisle runs through the back of the room, providing access to merchandise from the back side of the store.
- Heavy sized merchandise ranging from 10 to 15 square feet.
- Example: Benetton.

## Example of Spine layout (United Colors of Benetton)



# Layout selection-chief cons

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- Selecting a store which allows for complete merchandise to the customer
- Striking the right balance between displays
- While designing store needs of women, elderly kept in mind
- the merchandise and target audience

# VISUAL MERCHANDISING

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- ❖ ASSORTMENT
- ❖ THEME
- ❖ RACKS AND SHELVES
- ❖ PAYMENT COUNTERS

Purpose:

1. Enhance sales
2. Create store image
3. Ease of shopping ,to inform and communicate

# Tools used in visual merchandising

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1. Colors & textures
2. Props and fixtures
  - Grid display
  - Counter displays
  - Gondolas and end caps
  - Lighting
  - Mannequins

# Planogram

- Tool used by a retailer to determine the location of merchandise within the department.
  - Product sales,
  - Movement of products within category
  - Space required for various products.
  
  - Methods of displays
  - Colour dominance
  - Co-ordinated presentation
  - Presentation price
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# Common errors in display

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- Clutter
- Lack of an underlying theme
- Too many props
- Dirty props
- Poor lighting



# Customer relationship man

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What is CRM?

Process of collecting information and aligning and remodeling  
meet the customers demand

Refers to the activities an enterprise performs to identify, select  
increasingly loyal and profitable customers

# Customer service

Karl Albrecht and Ron Zemke introduced concept of service triad

## Customer Service

### High level



# Importance of service in re

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Interlocking efforts of keeping customers

1. Put customer at the heart of your business
2. Manage the business from the customers point of view
3. Manage quality
4. Keep the relationship vibrant
5. Manage service recovery
6. Convert customer satisfaction into profit

# Principles/steps of distinctive service

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1. Identify its key customers, listen and respond to them
2. Define superior service and establish a service strategy
3. Set standards and measure performance.
4. Select train and empower employees to work for the customer
5. Recognise and reward accomplishment

# Components of CRM Strate

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Personalization benefits

Special treatment benefits

Rewards

Communication benefits

# Types of customer service

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Pre-transaction service: convenient hours, information aids

Transaction services: credit, gift wrapping , packaging, gift cards

Post transaction



# Retail selling process

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Acquiring product/merchandise knowledge

Studying the customer

Approaching the customer

Presenting the merchandise

Overcoming resistance

Suggestive selling

Closing the sale

Customer needs	Retailer traditionally provides
Product choice	Range selection
access	Channel choice
support	information
Individual treatment	Customer service
Value	Efficiency

Salesperson-informer, counsellor,  
 executive, mover of stock, seller  
 ✓ Starting point of an effective cr  
 identify customer segments into  
 ✓ Lower value  
 ✓ Growable  
 ✓ Most valuable



# Measuring gaps in service

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- Knowledge gap: what the consumer expects of service and what consumer expectations
- Standards gap : What the management perceives the customer specifications set for delivery
- Delivery gap: quality specifications set for service delivery and
- Communication gap: difference between the service the firm communicates and service actually delivered

# What is Loyalty program?

A **loyalty program** is a **rewards program** a company to customers who frequently  
A **loyalty program** may give a customer  
new products, special sales coupons or



# Loyalty programs

## **Bases**

- Loyal customers are cheaper to serve
- Willing to pay more for a bundle of offering
- Act as effective marketers for store's offerings

## **Requirements**

- Customers to enroll
- Rewards, discounts, or services based on customers spending pattern
- Benefit customers can receive from specific purchasing behavior

# Types of loyalty programmes

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## **1. Multi sector and single sector loyalty programmes:**

Partnered loyalty programmes can be multi sector when the various programmes they belong to different sectors of the industry

SBI –Freedom rewardz

Network partners-koutons , the mobile store , provogue,orra ,M

## **Single loyalty programmes:**

If all the partners belong to the same sector

## **2. Single and multi partner programmes**

These programmes are owned by a single operator , but members earn points when buying from various partners in the programme .

# LOYALTY PROGRAM

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## 3. True coalition programmes

Management is independent of any of the partners. The partners can earn and redeem the currency of the programme and have access to the programme through its operator.

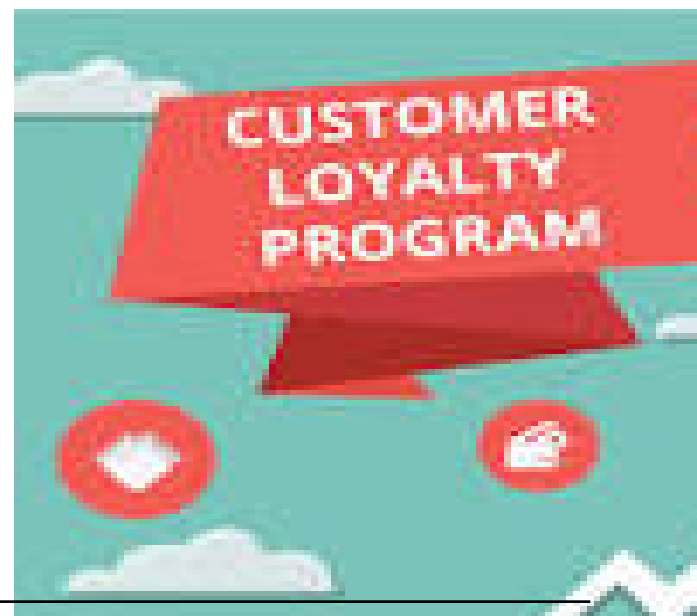
## 4. Affinity loyalty programme:

- Based on concept of marketing goods and services to a group of people with common interests
- Target a product to a member of the group using endorsement or word of mouth of communications

# Characteristics of good loyalty

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1. Visibility: highly visible regardless of channel
2. Simplicity
3. Value : motivate incremental purchases
4. Trust



# Concept of merchandise pl

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Planning and control of merchandise inventory of the firm wh of the target customer and strategy of the firm

Merchandise management is planning, procurement, handling investments of retail firm.

- Factors affected by merchandise strategy:
- Product mix
- Range and assortment mix
- Method of sourcing
- Quality
- price

# Components of merchandise management

## Merchandise Management

Process by which a retailer offers the right quantity of the right merchandise in the right place at the right time and meets the company's financial goals.

- Merchandise management is the sum of:
  - Analysis
  - planning
  - procurement,
  - handling and
  - control of merchandise investments of a retail operation



# Components of merchandi

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Merchandise analysis:

- What image to create?
- Understand demographics

Merchandise Planning : establishing objectives and devising plans well in advance of the selling season

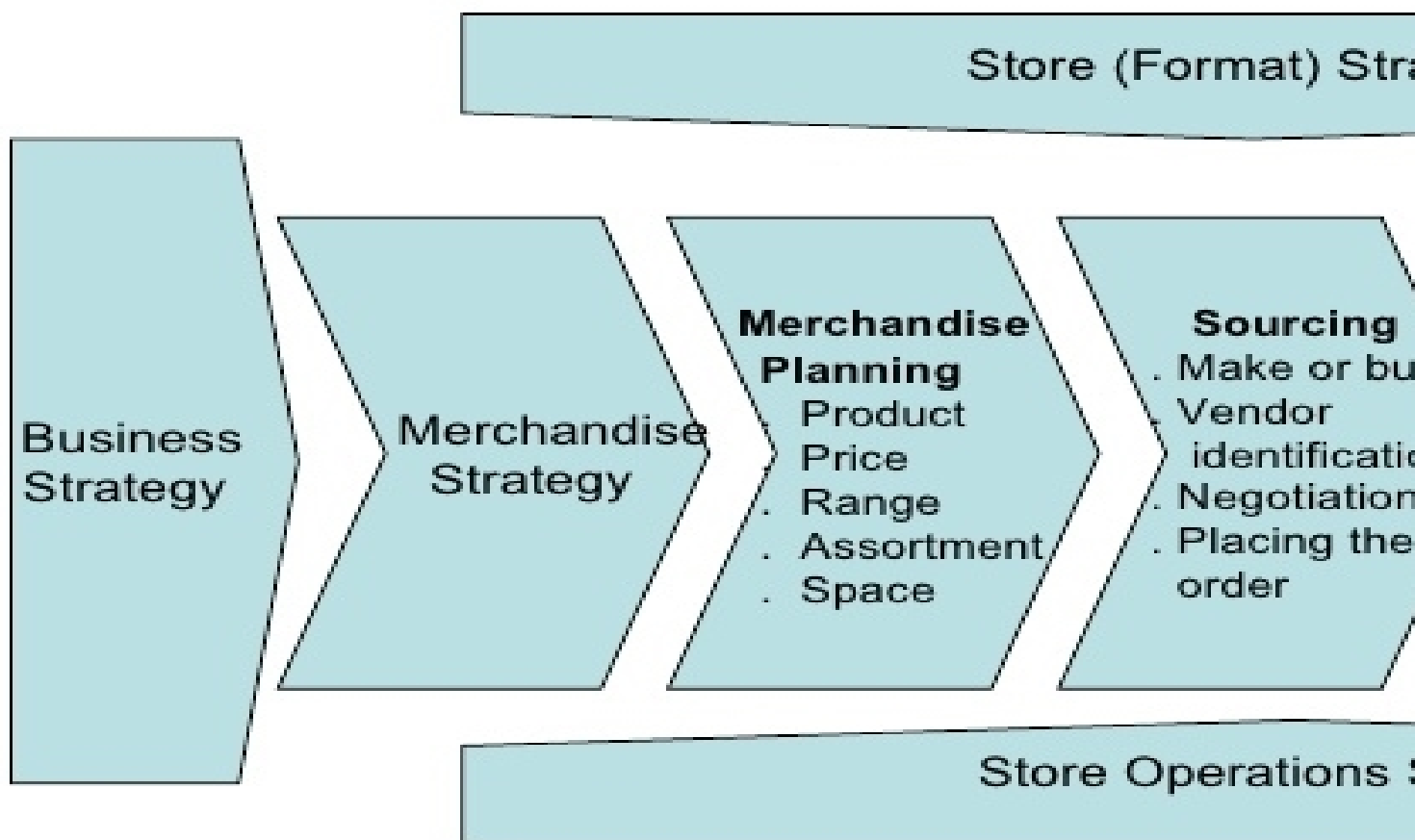
Establish performance guidelines

Merchandise control : how well one is following guidelines

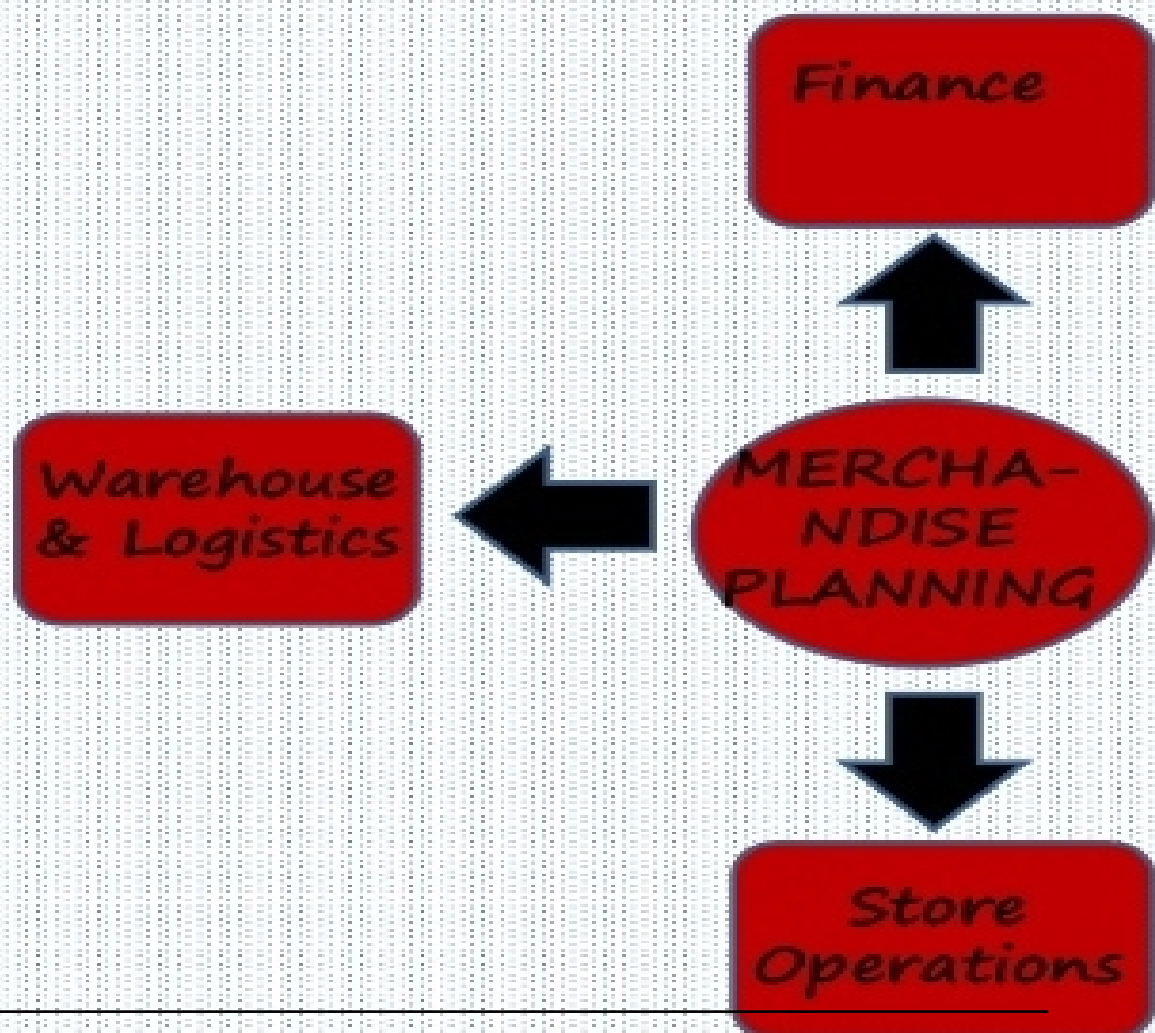
Design policies and procedures to meet the goals

Acquisition & handling : Physical purchase of products and transportation

# Process of Merchandise Management



# IMPLICATION MERCHANDISE P



# Buying cycle

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- ❖ Determine product requirement
  - ❖ Select suppliers
  - ❖ Vendor negotiations
  - ❖ Product pricing
  - ❖ Follow up
  - ❖ Allocate the product
  - ❖ Monitor response-take correction action
1. Need to know where the product moves-sales records
  2. Refer external sources of information
  3. Conduct Analysis

# Types of merchandise

- ❖ Staple/Basic merchandise-products always in demand
- ❖ Fashion merchandise- high demand for a relatively short period  
Eg : Jeans, kurtas
- ❖ Seasonal merchandise-products that sell over non consecutive times
- ❖ **Fad merchandise** is the **merchandise** items that generate a high demand in a short time.
- ❖ Assortment-Selection of merchandise by the retailer
- ❖ Variety of merchandise-number of different lines that a retailer carries  
Collection of children's wear
- ❖ Width of assortment-number of merchandise brands in the merchandise line
- ❖ Depth-average number of SKU's within each brand in the merchandise line
- ❖ Consistency-how closely related or compatible the product line is to each other and use.

# MERCHANDISE HIERARCHY

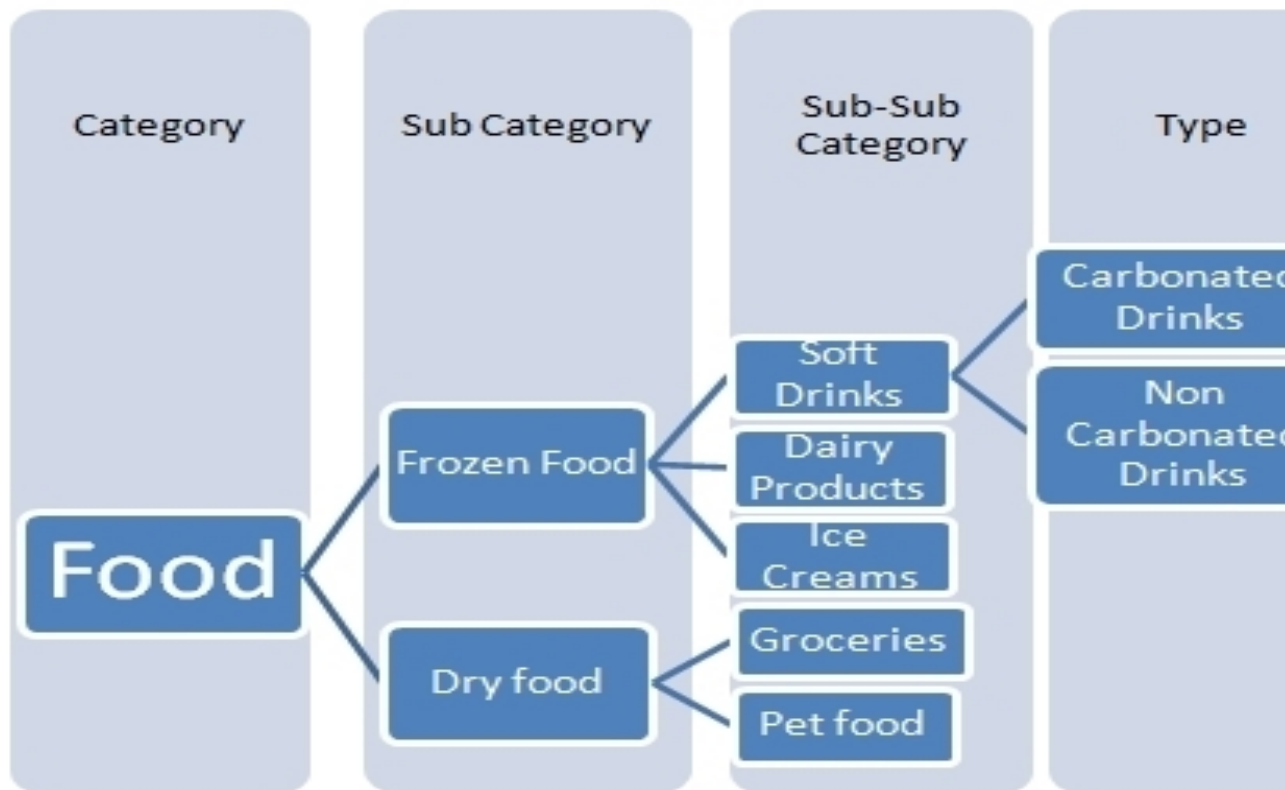
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MERCHANDISE IS CLASSIFIED AS

Ist level

- Fresh groceries
- Ready to eat- snacks, biscuits
- Additive- masala, pickles
- Personal hygiene products
- Cooking aids – like ready pastes
- Necessities like dal , sugar , oil ,atta
- Soft drinks/juices
- 2<sup>nd</sup> level : various categories of products that the retailer offers in every c
- In ready to eat- biscuits , chips, wafers, branded snacks like haldiram }

- ❑ Chips , wafers- salted,flavoured,branded } sub category of
- ❑ Style/pack size and price point
- ❑ SKU



# Process of merchandise plan

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1. Developing sales forecast
2. Determining merchandise requirements
3. Merchandise control-OTB
4. Assortment planning



# Process of merchandise plan

Stage 1: Developing sales forecast:

- Arrived at based on sales targets
- First step in determining inventory needs of the product or category
- Developed to answer the following
  1. How much of each product will need to be purchased?
  2. Should new products be added to merchandise assortment?
  3. What price will be charged for the product?
- Usually made for a specified period and person who makes it
  - a) Changes in tastes and attitudes of consumers
  - b) Size of target market
  - c) Changes in their spending patterns

## Five steps in process of developing

- 
- i. Review past sales:
  - ii. Analyse change in economic conditions:
  - iii. Changes in economic front  $\longleftrightarrow$  consumer spending patterns
  - iv. Analysing changes in sales potential-relate the demographic changes to products
  - v. Analysing the changes in marketing strategies of the retail organization
    - a) Is there a new line of merchandise to be introduced
    - b) need for new store
    - c) Existing store to be re-modeled

VI . Creating sales forecast:

Estimate of projected increase in sales is arrived

# Forecasting for fashion pro

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- Fashion scan
- Consumer analysis
- Cultural factors
- Competition
- Colour forecasting
- Textile development
- style

# Stage 2: Determining merchandise requirements

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There are 2 methods of developing a merchandise plan

- Top down planning –occurs when corporate objectives dictate the plan
- Bottom up planning: type of various stores existing, space , optimal location

Planning in merchandising is at two levels:

- Creation of merchandise budget;
  1. Sales plan -How much of each product needs to be sold ;
  2. Stock support plan –how much of stock is required to achieve sales
  3. Planned reduction-if the product does not sell
  4. Planned purchase levels-quantity of each product that needs to be purchased
  5. Gross margins- how much the department contributes to the total profit

# Sixth month merchandise plan

1. Prepare well in advance of selling season
  2. Simple
  3. Planned for a short period
  4. Flexible
- 

## KEY COMPONENTS;

- Planned sales-projected sales for the period that is planned
- Planned purchases
- Planned reductions- markdowns, employee discounts and invent
- Planned mark-up: depends on type of product , audience and ma
- Final profit after paying operating costs
- Gross margin-difference between cost of product ,less reduction  
employee discount
- Planning B.O.M and E.O.M
- B.O.M-relates inventory on first of the month to planned salesfor
- BOM inventory=planned monthly sales& desired sales/stock ratio

# Merchandise plan-open to

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OTB-amount of new merchandise that a retailer buys without exceeding

Refers to quantity of merchandise a store should receive into inventory  
line with sales.

Purpose of OTB-twofold

Depending on sales of month and reductions-merchandise buying can be

Planned relation between stock and sales can be maintained

OTB ensures that buyer

- i. Limits overbuying and under buying
- ii. Prevents loss of sales
- iii. Maintain purchases within budgeted constraints
- iv. Reduces markdowns

# Assortment planning

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Assortment-combination of all products made available in a store within a product category

Assortment planning: Process of deciding upon and arriving at

Factors that affect the assortment planning process:

- I. Type of merchandise that is stocked in the retail store:
- II. Retailers policies w.r.t type of brands stored
- III. Level of exclusivity
- IV. Number of sku's
- V. Shelf space

