

Part 1: 1-2 Terminology for Six Month Merchandise Plan

Terminology defined for “Developing the Six Month Merchandise Plan”.

**Average Inventory/Stock:** the average amount of merchandise in the store or department for a given period of time. For one month, the beginning of the month (BOM) and end of the month (EOM) inventory divided by two, or for the Six Month Merchandise Plan, six (6) BOMs and the ending EOM for the last month divided by seven (7) (e.g., for the month of February on the Six Month Merchandise Budget/Plan for Spring Season – Fashion Department in *Part 4: 4-1 A* of this section: **BOM stock \$ + EOM stock \$ ÷ 2** or  $\$185.05 + \$186.11 \div 2 = \$185.58$ )

**Basic Stock Method:** inventory consists of basic or constant inventory level for department plus the planned sales for the month; or constant stock dollars carried by the retailer plus the planned monthly sales dollars for the month for which the inventory is being calculated

**Beginning of the Month (BOM) Inventory:** stock or inventory on hand at the beginning of each month

**Buying-Selling Cycle:** processes and activities for planning, procuring, presenting, marketing, and promoting merchandise to the retailer’s target consumer during each six month period of the retail year

**Demographics:** the statistics of a consumer segment, including age, gender, occupations, income, education, size, density, etc.

**Discounts:** reduction in retail price; reduction in wholesale costs

**Employee Discount:** reduction on an employee’s retail purchases

**End of Month (EOM) Inventory:** stock or inventory on hand on the last selling day of the retail month

**Fashion Life Cycle:** the stages in which a fashion product evolves, depicting the speed and direction of the trend; bell-shape curve illustrating the stages of fashion acceptance: innovation, rise, acceleration, general acceptance, decline, and obsolescence (Refer to *Part 2: 2-3* of this section.)

**Fashion Trend:** direction and movement or the evolution of fashion themes, products, and design concepts

**Forecasting:** identification and prediction of a trend that is prevalent in society, a particular industry segment (e.g., fashion merchandise), and/or the external environment

**Geodemographics:** dividing a consumer segment into subsegments based on geographical locations; matching product to target consumers based on location and preferences in that particular location

**Inventory (Stock):** retailer’s stock; value of retailer’s merchandise; stock on floor plus backroom stock or stock on hand and stock on order

**Lifestyle:** age of consumer combined with life stage of consumer plus consumer’s avocations, hobbies, leisure activities, cultural interests, attitudes and opinions, affiliations with organizations, geographical location and type of occupation

**Markdowns:** reduction in retail price of merchandise; reduction in original retail price of goods; expressed in dollars as difference between the original retail price and new retail price; expressed in percent as a percent of net sales or markdown dollars divided by net sales dollars

**Markup:** amount of dollars added to the cost of goods to determine retail price; difference between retail price and wholesale costs of goods

**Merchandise Types:** delineation of differences in style characteristics of product classifications

**Basic Merchandise:** goods that change very little from one season to the next season (e.g., white cotton socks)

**Classic Merchandise:** a style or design that remains in style or fashion for an extended period of time (e.g. trench coat, shirtwaist dress, Chanel jacket)

**Fad:** a style that realizes a sudden acceptance with a group of consumers, is bought in volume by those customers and fades in demand by the consumer as quickly as it was accepted; short lived trendy design or style (e.g., mood rings)

**Fashion Merchandise:** the prevailing style at any given period of time accepted by a substantial group of consumers (e.g., sleeveless dresses, crop pants)

**Seasonal Merchandise:** merchandise that is in demand during a specific climatic season or time of the calendar year (e.g., swimsuits, winter coats)

**Staple Merchandise:** product that remains the same throughout the year for all seasons and all climatic conditions (e.g., neutral colored hosiery)

**Merchandise Zones:** a classification system for categorizing merchandise based on lifestyle of consumer, fashion trend direction, fashion taste level of consumer, price range of merchandise, types and quality of fibers, fabrics and construction of garments; usually found in the apparel industry, especially in ladies' apparel

**Designer Zone:** merchandise offered by known designer; high quality, exquisite and expensive fabricated designs

**Contemporary Zone:** trendy merchandise of good quality, offered in updated fabrications and styles in the premium price zone

**Better Zone:** knock-offs of designer styles or adaptations of top-selling styles in high to moderate prices affordable for the majority of consumers; offered in better to moderate quality fabrications and construction

**Moderate Zone:** traditional styles with little detailing, in less expensive fabrications; offered in affordable price ranges of good to fair quality construction

**Popular Zone:** budget merchandise, usually sold by discounters and mass merchants; various quality levels, usually offered at lower price points

**Open-to-Buy:** for a specific period of time, the amount of merchandise needed to reach planned sales goals minus the merchandise on-hand; during a given period of time, the amount of merchandise that may be received during the on-order period without exceeding the planned ending inventory

**Overbought:** purchases exceed planned purchases amount during a given period of time

**Planned markdowns:** planned, estimated dollar amount of reductions on The Six Month Merchandise Plan; expressed as a percent of net sales

**Planned Purchases:** planned dollar amount of inventory to purchase during a given period of time; planned monthly sales + planned EOM stock + planned monthly reductions – planned BOM stock

**Planned Reductions:** planned, estimated dollar amount of reductions on The Six Month Merchandise Plan; expressed as a percent of net sales

**Planned Sales:** planned, estimated dollar amount of sales on The Six Month Merchandise Plan; planned sales based on previous year's sales with percent of increase or decrease or sales per square foot methods

**Psychographics:** data of consumer segment describing personality traits, attitudes, interests, opinions of consumers

**Reductions:** markdowns, employee discounts, customer returns and allowances, shrinkage/shortages

**Retail Calendar:** 4-5-4 calendar depicting actual days in each week of the three months in a retail quarter; calendar divided into four quarters, unlike a conventional calendar year

**Sales Per Square Feet:** amount of sales produced in relation to the amount of retail selling space

**Shrinkage:** shortage of inventory due to employee and customer shoplifting and/or paperwork errors; the difference between the physical inventory count and book inventory of a store or department

**Six Month Merchandise Plan:** financial plan relating sales, inventory/stock, reductions, and initial markup to purchases; guide, map, blueprint for assisting the retailer in attaining realistic retail objectives and sales goals; a dollar plan that controls the merchandise activities of the retailer

**Stock (Inventory):** retailer's inventory; value of retailer's merchandise; stock on floor plus backroom stock or stock on hand and stock on order

**Stock/Sales Ratio:** during a given period of time, relationship between inventory and sales for the same period of time expressed as a ratio; relating stock on hand to the sales for the same month;  $\text{stock} \div \text{sales ratio}$

**Turnover:** relationship between the number of times average inventory is sold within a given period of time; stockturn; inventory turnover; ratio usually calculated for six months or year and calculated by dividing net sales by average inventory