

Part 5: Establish the Merchandising Policy

Another step in establishing the retail store image consists of establishing a consistent merchandising policy. In the previous part of this section, establishing the fashion image and selecting fashion merchandise was addressed. Other aspects of building the merchandising policy includes:

- establishing the procurement procedures and policies, including the retail/vendor matrix, buying procedures, and merchandise mix
- instituting markup and markdown policies
- establishing pricing procedures
- coordinating the sales promotional activities – advertising; sales promotions and events; visual merchandising, both merchandise and displays; fashion coordination; publicity and PR.

Procurement procedures and policies are guidelines that assist the retail buyer in searching for, analyzing, evaluating, and then selecting the right merchandise, in the right styles, colors, and sizes, to be delivered at the right time in order that the visual merchandiser may create a viable merchandise presentation at an appropriate location (i.e., the right place) in the store. Those policies include establishing the retail/vendor matrix and selecting vendors or branded companies that can supply the merchandise to build a salable merchandise mix wanted and desired by the store's target consumer.

As previously defined, the *retail/vendor matrix* is a listing for each product classification of the top vendors from which the retailer buys merchandise. The *benchmarks* or predetermined set of evaluation criteria for selecting these vendors and/or brands must be established by each retailer. There is an old retail axiom stating that a retailer usually buys eighty percent of the store's merchandise from the top twenty percent of the vendors or brands carried in the store. Therefore, these vendors and their brands must be selected carefully in order to meet the demands of the store's target consumers.

Another aspect of establishing the merchandising policy is the selection of the type of *merchandise assortment* or number of product classifications and quantity of each offered by the retailer. Based on the channel of distribution in which the store operates and the type of store, the merchandise assortment is either narrow and deep or broad and shallow.

Specialty stores usually offer *narrow and deep merchandise assortments* or few product categories with depth in sizes, styles, colors and patterns. On the other hand, most department stores carry *broad and shallow assortments* of a large variety of product classifications with a limited number of stockkeeping units (SKU) in each classification. Thus, the assortment often impacts the number of vendors and brands carried by the retailer.



Types of brands found in the retailer's merchandise mix are critical to establishing both store and fashion image. As previously noted, specific brands are found in certain industry zones and those zones are dictated by the fashion level, design attributes, and price points of the product available to the store's target consumer. Thus, the visual merchandiser must be aware of those zones, the brands within the zones, and how the merchandise should be presented to the target consumer. Most branded companies have established distinct brand images that must be presented in a particular setting with supporting props and merchandise presentations. It is the responsibility of the visual merchandiser to assure that the brand is represented in such a manner that it also supports the image of the brand being featured in the display or merchandise presentation.

It is important to note that there are trends which influence the types and amounts of specific branded merchandise in a store. For example, in this current economic environment, most stores are designing, developing, and marketing their own private label (i.e., brand owned by one specific store group). Since the retailer controls all aspects from sourcing to marketing the label and the competition cannot purchase the product, the store controls the markup, markdown and all marketing aspects of the brand. The private label brand usually has a higher markup and larger profit margins than a national brand that is also carried by the retailer's competition. The visual merchandiser has a major responsibility of creating and building the private label image for the retailer!

Even *markdown procedures* or the timing and amount of reduction in retail price of merchandise impact store image. The types and classifications of merchandise, the seasonality and fashion level of the store's merchandise assortments, the activities of the competitors, and the expectations of the target consumer govern the retailer's markdown policies. For example, consumers who are fashion trend setters or fashion experts desire incoming trends to be available in the retailer's store early in the selling

season. They also wish to purchase early in the season and to have new, innovative product available more often in the store. Therefore, the retailer usually buys the product in limited quantities in order to present exclusive, distinctive merchandise to this consumer throughout the selling season. This type of merchandise calls for higher markups since the product is oftentimes reduced quickly and with deeper dollar reductions as compared to products that remain in the retailer's inventory for a longer amount of time.

As previously discussed in Part 3 of this section, the *price ranges* and *price points* of the retailer's merchandise mix affect both the fashion and store image of the retailer. More exquisite and/or higher price merchandise must be displayed with accessories and props that call attention to the value/price of the product. There must be a sophistication level in the merchandise presentation and display that motivates the target consumer to stop, shop, and spend. On the other hand, if visual merchandisers are creating displays for retailers who sell moderate and popular price merchandise, they must select accessories, props, and lighting techniques that are more contrasting and on the cutting-edge in order to direct attention to the most outstanding attributes and details of the merchandise.

Lastly, the retailer must coordinate the *sales promotional activities* – advertising; sales promotions and special events; visual merchandising, both merchandise presentation and displays; fashion coordination; or publicity and PR. Sales promotion activities should be geared to the degree of the fashion leadership evidenced in the store's merchandise assortments. All types of marketing efforts and advertisements, regardless if they are print, television, radio, web page, or other social media, should maintain an identical image and should disseminate a constant and consistent message about the retailer and products carried by the retailer. A retailer should produce distinctive advertisements that are easily recognizable by the target consumer, create special events that are indicative of the store, and build merchandise presentations and displays that speak to the consumer and become "silent sellers" for the store.