

Retail Product Merchandising: Retail Buying-Selling Cycle

SECTION 1: Defining Retail Product Merchandising

Part 1: 1-2 Buying-Selling Cycle

The **Buying-Selling Cycle** is a never ending circle of retail processes and activities that take place in the retail store continually throughout the year. However, these job responsibilities of the retail buyer/merchandiser are never completed one-at-a-time or on a one-time basis per week, month, or year. The buyer is constantly multi-tasking and attempting to keep abreast of all factors that impact the day-to-day as well as future operations of the business.

The circle of activities begins with *planning* (i.e., estimating and budgeting sales in dollars and units) and *evaluating* (i.e., anticipating and forecasting future fashion trends). The job responsibilities in this step include analyzing the dollar and unit sales volume of the previous year, for the same season, for which a seasonal plan is being created, and forecasting the future fashion trends that meet the wants and demands of the target consumer.

The next step of the process is *procuring* (i.e., searching for, evaluating market offering, selecting product classification, and purchasing product) the merchandise mix or product classifications for the seasonal offering. Other continuous steps of the cycle include *promoting* merchandise (i.e., advertising, special events, publicity, visual merchandising), *merchandising the department* (i.e., merchandise presentation, creative display of product), *supervising* personnel, and *managing the store/department*.



While the cycle of activities for a particular selling season (i.e., spring, summer, early/fall or transition, fall, holiday, cruise/resort) is being completed, those same activities for all of the other selling seasons are in process in various stages of the cycle. For example, in any given week, a buyer may track sales

figures during the Fall season and submit reorders for the best-selling items, assist in creating special events for the upcoming Holiday/Cruise season, schedule a market trip to procure merchandise for the Spring season and develop and calculate budgets for the upcoming Fall and Holiday seasons.

Generally all buyers are responsible for planning and evaluating, procuring, and assisting in promoting merchandise. However, buyers who are employed by group or corporate offices usually assist, or are not responsible at all, in merchandising the store/department, supervising personnel, or managing the store/department. Therefore, this *Part* of **Section 1** will explore in-depth the planning and evaluating, procuring, promoting the merchandise and merchandising the department.

In order to have an appropriate background for understanding the in-depth discussion of the Buying-Selling Cycle, an explanation of the organization or formation of the retail year is needed. The retail year is divided into two six month periods: *Spring* (i.e., spring and summer sessions) and *Fall* (i.e., fall/ winter, holiday, and cruise/resort). For each of these major fashion seasons, the buyer develops a merchandise plan, including a Six-Month Merchandise Budget, product assortment plan, and sales promotional plan in order to drive the business of the store/department.



The retail year is not based on a calendar year. Rather it begins in February and ends in January of the next year. Therefore, the Spring season runs from February to July, and the Fall season begins in August and ends in January of the next year. Each season is divided into *quarters* or two three-month periods. The first quarter (i.e., February, March, April) and the second quarter (i.e., May, June, July) are the months included in the Spring season. The Fall season is divided into the quarters of August through October and November through January.

The retail calendar is known as a *4-5-4 calendar*. Each season (i.e., Spring, Fall) is composed of 26 weeks. Those weeks are arranged in a 4-week month, 5-week month, and a 4-week month. Therefore, some months do not begin or end at the beginning or ending of a regular calendar month. This type of

calendar allows the retailer to make comparisons of sales, sale promotions, holidays and days of the week from last year to the present year.

For each of the selling seasons, the buyer completes all of the processes and activities in the Buying-Selling Cycle. Thus, buyers complete the identical processes and activities for each seasonal product line, regardless the importance of the line or length of selling time, in order to present the lines to the store's target consumers.

Planning and Evaluating

All successful buyers begin the Buying-Selling Cycle by developing a realistic, workable plan that may be easily adjusted based on future current happenings in the retail store. This stage begins with *planning*, *estimating*, and *budgeting* or conducting an analysis of numerical data. It consists of analyzing actual information and happenings of the previous year, the same season, for which the seasonal plan is being created. Based upon the findings, the buyer estimates figures that are practical and attainable for developing a successful Six Month Merchandise Plan/Budget (i.e., departmental plan with estimated monthly inventory levels, sales, reductions, and purchases).



Also, in this stage, the buyer scrutinizes and evaluates the effectiveness of the Sales Promotion Division's (i.e., advertising; publicity; special events, including fashion activities; and visual merchandising) activities for that same season of the previous year. This information becomes the basis of the seasonal marketing plan. A large amount of the buyer's daily work consists of planning or analyzing and crunching figures as well as developing unique promotional plans that create an exciting retail environment with fun-filled activities for the target consumer.

The other major job activities in this stage include *evaluating*, *anticipating*, and *forecasting* fashion trends that meet the wants and desires of the target consumer. Although the buyer has access to many innovative sources of fashion trend information through the media, at market, and from the store's

major vendors, many of those trends are not appropriate for the store's target consumer, the store's geographical location or its fashion and store image. Frequently, the buyer must select trends that can be adapted to the fashion level (i.e., degree of design innovation inherent to the merchandise) of the consumers' preference and that are saleable in the geographic location of the store.

The buyer has many resources from which fashion trend information is collected. (The reader should investigate further sources and techniques for gathering information on current fashion trends.) A tool for correlating fashion trend information into the merchandising process is the Buying-Selling Curve. This curve relates a) the fashion level of the product to its position in the Product Life Cycle, to b) the target consumer, to c) merchandise type, to d) buying techniques, and to e) marketing techniques. (Refer to **Section 2: Part 1: 1-4.**)



Procuring Merchandise

Procuring or searching for “the right product”, evaluating the market offering, selecting specific product categories and classifications, and purchasing the most profitable merchandise mix is the next step of the Buying-Selling Cycle. Hours of planning go into this process since the market trips impact the execution and the success of the retailer's merchandise offering and ultimately the profitability of the business operation. Furthermore, since travel is very costly and also time consuming, market trips must be well-organized with vendor appointments scheduled in advance.

The first step in procuring the merchandise is shopping the market or searching for the “right merchandise” that reflects store and fashion image and that is desired by the retailer's target consumer. Based upon the buyer's travel budget and the fashion level of the retailer's merchandise mix, the buyer might travel to a fashion center or garment district such as New York City or Los Angeles, California. That same buyer may travel abroad to Paris, London, or Milan in order to visit designers' and manufactures' showrooms. There they view the new seasonal lines of designers as well as branded companies.

Additionally, the buyer may visit regional marts (e.g., Dallas, Atlanta, and Miami) or buildings housing the showrooms of manufacturing and branded companies in order to select merchandise. Also, some retailers designate space at corporate headquarters so that vendor representatives (i.e., account executives or sales representatives) may come directly to the retail buyer in order to present the company's seasonal lines. Currently, some buyers are previewing vendors' seasonal lines on the internet in order to view, select, and purchase merchandise.

Thus, a buyer has a choice of locations and techniques from which to search for and select merchandise. Frequently buyers utilize several options or different locations and techniques for finalizing the seasonal buy. The market trip may be organized by a) location, b) key vendors, and/or c) product classifications. More than likely, a buyer will need to select more than one technique for covering the market offering.



Shopping the market can be a very productive and satisfying experience or it can be a very demanding and rigorous task. When the buyer locates the “right merchandise”, at the “right price” at the desired fashion level for the target consumer, shopping the market is very rewarding. However, if the “right merchandise” cannot be located during a market trip, the buying task becomes stressful and sometimes even frustrating.

While at market the buyer must take copious notes with regard to vendor offerings. Oftentimes, vendors offer very similar items but at different price points or in different fabrications, colors, or styles. More than likely, the buyer will be required to choose between vendor products with regard to sizes, styles, colors, fabrications and price points. The job has just begun when the buyer departs from the market!

The difficult job in the final stage of procuring the merchandise is selecting the right merchandise, in the right style, color, and size, at the right price, and in the right quantity. Having a well-established retail/vendor matrix (i.e., listing of top vendors from which retailer procures product) and establishing a

seamless working relationship with those vendors make this immense task less difficult and much more successful. The activities in this step will determine the success and profitability of the retailer.

Promoting Merchandise

Frequently many buyers play a major role in the marketing of the product, selecting trends and product to feature in advertisements, suggesting special events to promote the goods, and requesting specific visual presentations in the department or store. All buyers, in some manner or form, will assist in marketing the product, whether it be acting as a liaison between the store and the vendor in order to provide an open channel of communications or whether it be assisting with the actual creation of the marketing piece or event.

When buyers go to market, they select specific trends and innovative product offerings that should be promoted. They often make arrangements with the vendor to secure samples for the creation of advertisements, other promotional materials, or even *gifts-with-purchase (GWP)* or *purchase-with-purchase (PWP)* products. Furthermore, buyers glean ideas in the market for fashion events and/or special promotions and events that are most appropriate for marketing a specific brand, trend, or new product offering. It behooves the buyer to create as much excitement and entertainment as possible in the retail store in order to assure that selected merchandise assortments sell. Also, “retailtainment” (i.e., retail entertainment) assures that the store’s target consumers are excited about that particular store in comparison to the competitors’ stores.



Additionally, visual merchandising (i.e., integration of merchandise presentation and display) has become one of the most important factors in building a sound marketing program. Oftentimes buyers work with vendors in establishing *shop concepts* or areas within the store solely featuring the vendor’s merchandise mix complete with fixturing, displays, and signage. Also, some buyers assist in creating plan-o-grams (i.e., sketches or drawings of the placement of merchandise on fixtures positioned on the selling floor, walls, and in displays) which depict the most advantageous placement of merchandise

categories on the selling floor in order to create optimal sales in the square feet of selling space available.

Merchandising the Department

As previously stated, the buyer may or may not play a role in the merchandising of the store/department. However, in order to store, house, display, and promote merchandise or *merchandise the department*, the buyer oftentimes assists with the planning and execution of the merchandising of the product mix. Whether the buyer only creates a plan-o-gram for arranging product classifications on the selling floor, or whether the buyer selects a specific product classification to be displayed, or whether the buyer suggests new types of fixturing, visual aids for the shop concept, or new locations for positioning outposts (i.e., freestanding selling unit housing merchandise sold in another location within the store other than the department in which it is housed), he/she assists in merchandising the product assortment mix in order to build both customer traffic and additional sales.

One of the most effective techniques for presenting the merchandise mix and for creating a productive, yet exciting shopping atmosphere for the consumer, is the 3 x 3 Merchandise Presentation. *The 3 x 3 Merchandise Presentation* is based on relating the store/department design and visual merchandise presentation to the lifestyle of the consumer. Additionally, it facilitates the ease of selection, makes it convenient for consumer shopping, and promotes multiple and add-on-sales.



The 3 x 3 technique assists the buyer in organizing and presenting all product on the three levels of the line of sight from the customer's perspective when entering the store/department. The three areas of the presentation include: "Windows-on-the-Aisle" (i.e., the entrance and aisle or front one-third of the store/department), the core or "Bread-and-Butter" area, (i.e., the center or core of the store/department), and the "Top Walls", sometimes called "Vista Walls" (i.e., back and side walls of store/department).

In each of the three presentation areas, the customer should find information about the products housed within, a saleable selection or wide variety of merchandise, and displays that educate or “train the fashion eye” of the consumer. This type of merchandising technique should ultimately increase sales volume and profit margins and hopefully reduce markdowns!

The Buying –Selling Cycle is completed with the functions of *supervising personnel* and *managing the department*. As previously discussed, unless the buyer is located in a specific retail store, these two responsibilities are under the management function of store personnel. However, educating the sales force in product knowledge, appropriate selling techniques, and store policies and procedures is a necessity for a successful retail operation. Additionally, scheduling employees for efficient and effective sales floor coverage, maintaining selling supplies, and overseeing the handling of proper customer service procedures and policies build a loyal customer base and assure return customer visits.



In summary, as previously stated, while the cycle of activities for a particular selling season are being completed, those same activities for all of the other selling seasons are simultaneously in process in various stages of the cycle. Thus, the Buying-Selling Cycle is a never ending circle of retail processes and activities that continually take place in the retail store throughout the year!

In the following **Section 2: Establishing the Retail Merchandise Mix**, “*The Basics of the Retail Merchandise Mix*” will be discussed in-depth.