

Merchandising

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Merchandising

Merchandising – consists of activities involved in acquiring particular goods / services & making them available at the places, time & prices and in quantities that will enable a store reach it's goals.

Merchandise Management

Analysis, planning, acquisition, handling & control of the merchandise investments of a retail operation

Analysis

Identifying needs and wants of customers in order to buy the correct merchandise

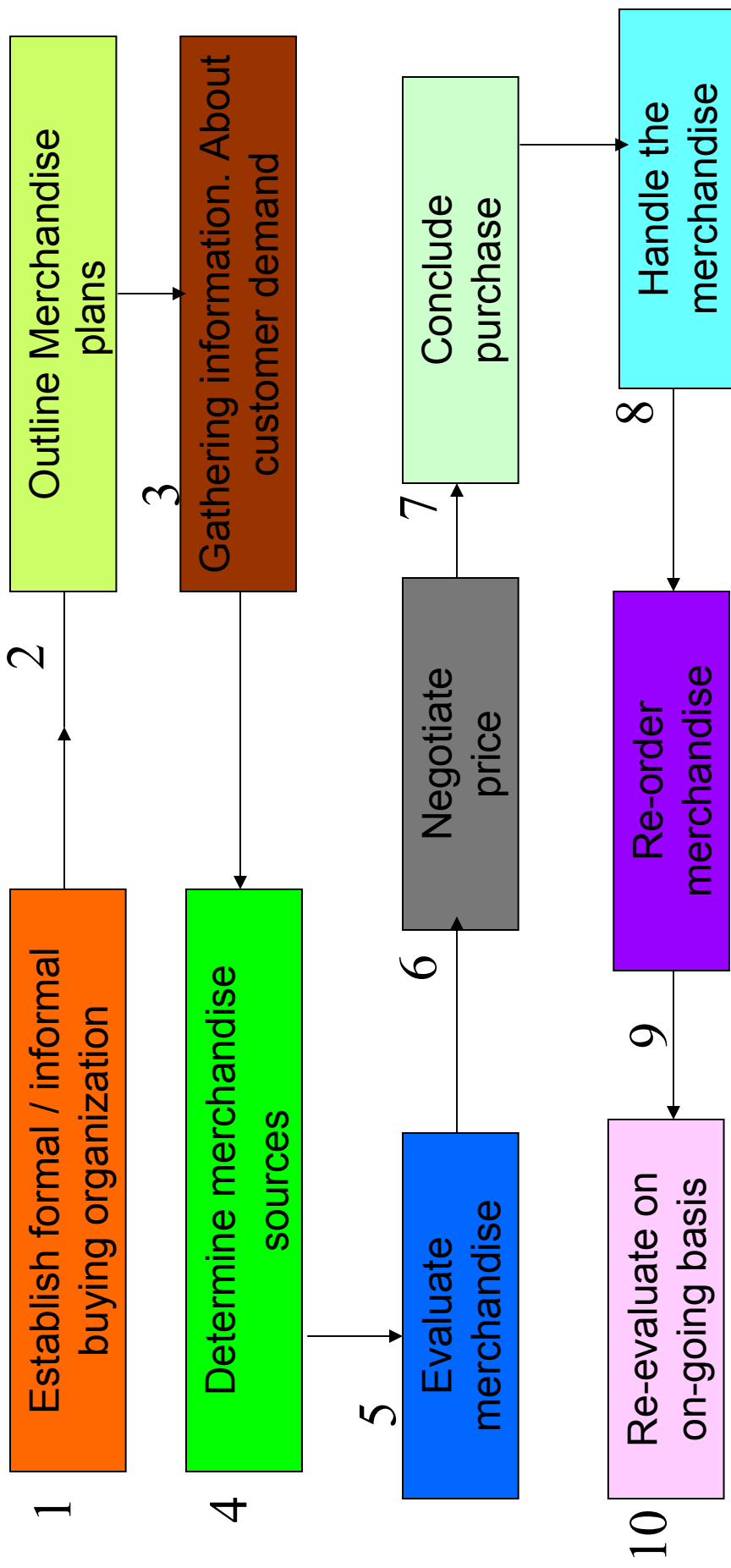
Planning

Timing of purchase to ensure merchandise availability in time of season & availability

Merchandising is the heartbeat of retailing.

Merchandise Planning

Merchandise buying & Handling Process



Merchandise Planning

Merchandise Planning

- What items to sell – quality levels will depend on :
 - Desired target market's profile
 - Competition
 - Store image / positioning
 - Location of store
 - Profitability
 - Fashion trends
 - Seasonal items
- How much merchandise to carry
 - A function of width & depth of assortments.

Merchandise Planning

Elements of merchandise planning

Acquisition

Since merchandise is bought from other suppliers they have to be identified, terms negotiated, physical acquisition planned.

Handling

Ensures timely availability at specific locations in time when required, duly capable of being put on the shelf for sale.

Control

To ensure optimum utilisation of resources – Financial & shelf space, so that profitability is ensured.

Requires effective monitoring & co-ordination with regular suppliers

Merchandise Planning

Factors in Deciding Merchandise Plans

- 1. Forecasts:** Projections of expected sale for given period.
Variables would be:
 - Overall company projections for the period
 - Product category projections
 - Item projection
 - Individual store projection
- 2. Innovativeness:** A firm that carries new goods & services and plans for upcoming trends. Variables would be:
 - Target market & it's behaviour
 - Product related trends
 - Stores positioning
 - Degree of risk
 - PLC – staple item / fashion / fad
 - Allocation of resources

Merchandise Planning (contd....)

3. **Assortment:** Selection of merchandise that a retailer carries which is a function of variety, breadth & depth.
4. **Brands vs. Private Label:** A proper mix of brands & private labels.
5. **Timing :** When is inventory required in the store, would be dependent on
 - Seasonal relevance
 - Order & delivery lead times
 - Stock turnover rate
 - Provision for special / urgent orders
 - Prices & discounts

Retail Assortment Strategies

- **Wide & deep**
 - Many categories & large assortment in each category
 - **Wide & shallow**
 - Many categories & limited assortment in each category
 - **Narrow & deep**
 - Few categories & large assortment in each
 - **Narrow & shallow**
 - Few categories & limited assortment in each
- Q. Advantages
- Disadvantages of each & where what / which is appropriate
 - ?

'Shelf space is at a premium'

Optimal Merchandise Mix

3 Dimensions

- **Variety**
 - Refers to the mix in terms of number of different lines the retailer stocks in the store. e.g. men's wear, women's wear, toys, appliances, cosmetics, sports goods etc.
- **Breadth**
 - Or assortment is the number of merchandise brands that are found in a merchandise line. e.g. A '7-11' store will carry very narrow breadth, as opposed to Shoppers Stop carries 6-8 brands of jeans or mens shirts.
Battle of brands vs. private labels
- **Depth**
 - The average number of SKU's within each brand of individual merchandise line. e.g. Due to shelf space constraints A7-11 store may carry only 1-2 fast moving sizes whereas a Walmart may carry all sizes & sufficient quantity of each.

Retailers task is to find a balance between the above 3 dimensions in relation to his store, it's positioning, customer profile & financial resources.

Retail Assortment Strategies

Wide and Deep

- **Advantages**
 - Broad market
 - Full selection of items
 - High level of customer traffic
 - Customer loyalty
 - One-stop shopping
 - No disappointed customers

- **Disadvantages**

- High inventory investment
- General image
- Many items with low turnover
- Some obsolete merchandise

Wide and Shallow

- **Advantages**
 - Broad market
 - High level of customer traffic
 - Emphasis on convenience customer
 - Less costly than wide and deep
 - One-step shopping

- **Disadvantages**

- Low variety within product line
- Some disappointed customers
- Weak image
- Many items with low turnover
- Reduced customer loyalty

Retail Assortment Strategies

Narrow & Deep • **Advantages**

- Specialist image
- Good customer choice in category(ies)
- Specialized personnel
- Customer loyalty
- No disappointed customers
- Less costly than wide and deep

• **Disadvantages**

- Too much emphasis on one category
- No one-stop shopping
- More susceptible to trends/cycles
- Greater effort needed to enlarge the size of the trading area

Narrow & shallow

• **Advantages**

- Aimed at convenience customers
- Least costly
- High turnover items

• **Disadvantages**

- Little width and depth
- No one-stop shopping
- Some disappointed customer
- Weak image
- Limited customer loyalty
- Small trading area

Model Stock Plan : Mens Shirts

Dependent Variables

- Customer profile – psychographic / demographic
- Buying behavior – occasion / frequency of purchase/ budget
- Stores positioning vis-a-vis product category

Product Attributes – Some Variables

Type	Dressy, casual, sports, work	4
Size	S, M, L, XL	4
Sleeve	Long, short	2
Collar	Button-down, normal	2
Color	Blue, white, beige, pink, off-white	5
Fabric	Cotton, poly-mix	2
Price	3 Price points	3

Model Stock Plan : Mens Shirts (contd...)

If the store decides to keep one SKU of each type its initial inventory will be

$$4 \times 4 \times 2 \times 5 \times 2 \times 3 = 1920 \text{ SKU's}$$

$$\text{@ Avg. cost of Rs.300} = \text{Rs. 576, 000}$$

Clearly the final decision will be based on the dominant dependent variable(s) and a retailer may not be able to offer the entire range but offer a more selective collection.

Successful retailers know that they will have to allow some customers to walkout empty handed.

Category Management Matrix

		Product Profitability	
		Less 'Y' / wk	More 'Y' / wk
More than 'X' / item	High Potential	Winners	Traffic Builders
Less than 'X' / item	Under Achievers		

- **High potential**
 - Required ↑ promo, better position, more exposure, ↑ displays
 - Create interest & excitement around the item to move it into a winner category item.
- **Winners**
 - Capitalise by ↑ promo, prominent position, better displays & visibility
 - Cash cow
- **Traffic builders**
 - Review prices, ↓ position, move closer to high potential items review space.
- **Under achievers**
 - ↓ Promos, move from prime position, ↑ prices, consider dropping item.

Information about Customer Demand

Efficient merchandise management depends on store's ability to generate relative accurate sales forecast

Sources of information

- Consumer – demographics, L-styles, preferences.
- Test markets
- Manufacturer's own forecasts
- Sales staff
- Formal system for new/missing items
- Analysing data
- Competitors' stores
- Emerging trends
- Trade directories
- Routine advertising by manufacturers
- Product specific advt. by retailers
- Internet
- Visits to exhibitions & trade fairs

Information about Customer Demand (contd...)

Sources of Merchandise

- Direct from manufacturers
- Through distributors / agents
- Imports

Some criteria while sourcing merchandise

- Reliability
- Price quality balance
- Processing time – reorder time
- Guarantees / replacement facilities
- Margins
- Relationships
- Advertising & promo support
- Price contracts & validity - stability

Sourcing Merchandise

Sources of supply

- International or national brands
- Imports or supply through agents
- Product specialisation
- Cost implications of buying sources
- Suppliers background in terms of
 - Selling history
 - Product quality / warranties
 - Consumers perception re: manufacturer
 - Reliability for delivery
 - Trade terms – credit / discounts
 - Margins
 - After – sales service
 - Order processing time
 - Inventory carrying cost
 - Packing norms & adaptability / flexibility
 - Participation in store promotions
 - Exclusivity of supplies – fashion / fad items

- ABC analysis of vendors on above parameters

Sourcing Merchandise (contd...)

Issues in Buying Merchandise

- Strategic partnerships : a win-win situation for buyer & seller
- Mutual trust
- Open communication / sharing information
- Ethical issues
 - Origin of supplies
 - Genuine vs counterfeit
 - Compliance to local regulations
- Negotiating with suppliers

In-store Merchandise Handling

- Receiving merchandise - infrastructure / timings
- Store / warehousing / handling – parking
- Checking for order compliance – quantity / prices / disc.
- Coding & pricing – statutory considerations
- Allocating to stores / departments
- Security of inventory – pilferage / shop lifting

Whether direct from supplier to store or via warehouse?

Advantages of warehousing - Central

- Efficiency in transportation
- Efficiency in storage
- Improved security
- Better handling
- Efficient marketing of goods
- Ease of returns
- Control on payments / quality

Disadvantages of Warehousing

- Excessive controls
- Extra handling – perishables
- Order processing delays
- High operating costs – small stores
- Reduces response time

Evaluating Merchandise

Evaluation




- Check for compliance with order
 - Delivery date
 - Quantity ordered – billed – delivered
 - Price – as per contract / order
 - Discounts – usual / special / schemes
 - Payment terms – special discounts
- Physical check of merchandise
- Quality check – random / individual
- Expiry validity in case of perishables
- MRP markings
- Other statutory req.
- Transfer of title ?
 - Transportation risk?
 - Consignment supply

Evaluating Merchandise (contd...)

Handling Merchandise

- Physical handling
- Receiving – inspections
- Storing – locating / special storage req.
- Coding – inventory management
- Price marketing – checks / control / system
- Setting up displays
- Determining how much to stock
- Customer delivery – packing
- Billing – cash / credit cards
- Returns & damaged goods – system
- Monitoring pilferage
- Merchandise control

RETAILING STRATEGY

- **Retailing Mix**
- **Retail Pricing**
 - **Markup**
 - **Original Markup**
 - **Markup on Selling Price** 
 - **Markup on Cost** 
 - **Maintained Markup**
 - **Gross Margin**
 - **Markdown** 

RETAILING STRATEGY

- **Retailing Mix**
 - **Retail Pricing**
 - **Everyday Low Pricing**
 - **Everyday Fair Pricing**
 - **Prices as Benchmarks or Signposts**

RETAILING STRATEGY

- **Retailing Mix**
 - **Retail Pricing**
 - **Shrinkage**
 - **Off-Price Retailing**
 - **Warehouse Club**
 - **Outlet Store**
 - **Single-Price or Extreme Value Retailers**

RETAILING STRATEGY

- **Retailing Mix**
 - **Store Location**
 - **Central Business District**
 - **Regional Shopping Center**
 - **Anchor Stores**
 - **Community Shopping Center**
 - **Strip Location**
 - **Power Center**
 - **Carts, Kiosks, and Wall Units**

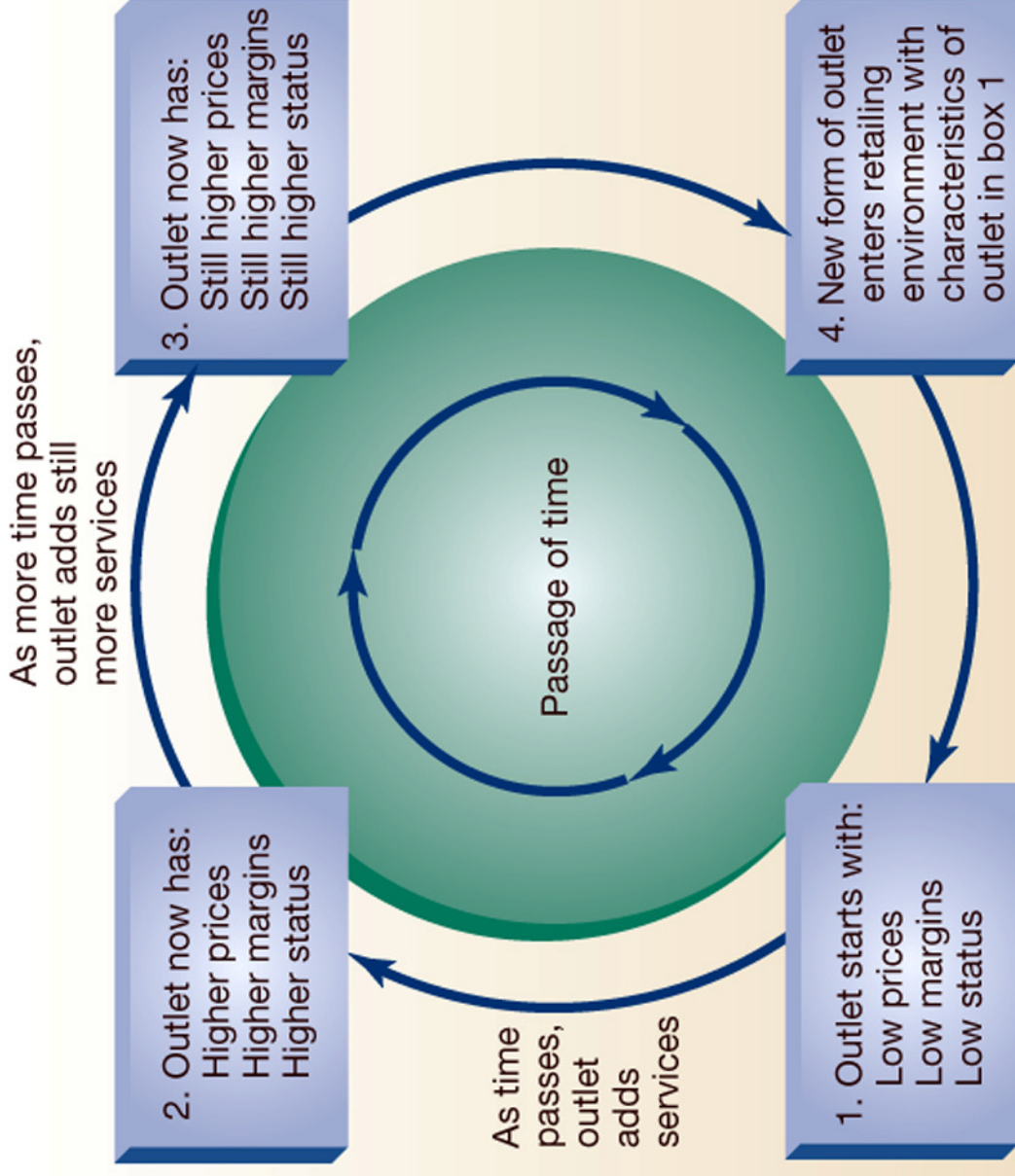
RETAILING STRATEGY

- **Retailing Mix**
 - **Retail Communication**
 - **Image**
 - **Atmosphere or Ambiance**
 - **Merchandise**
 - **Category Management**
 - **Consumer Marketing at Retail (CMAR)**

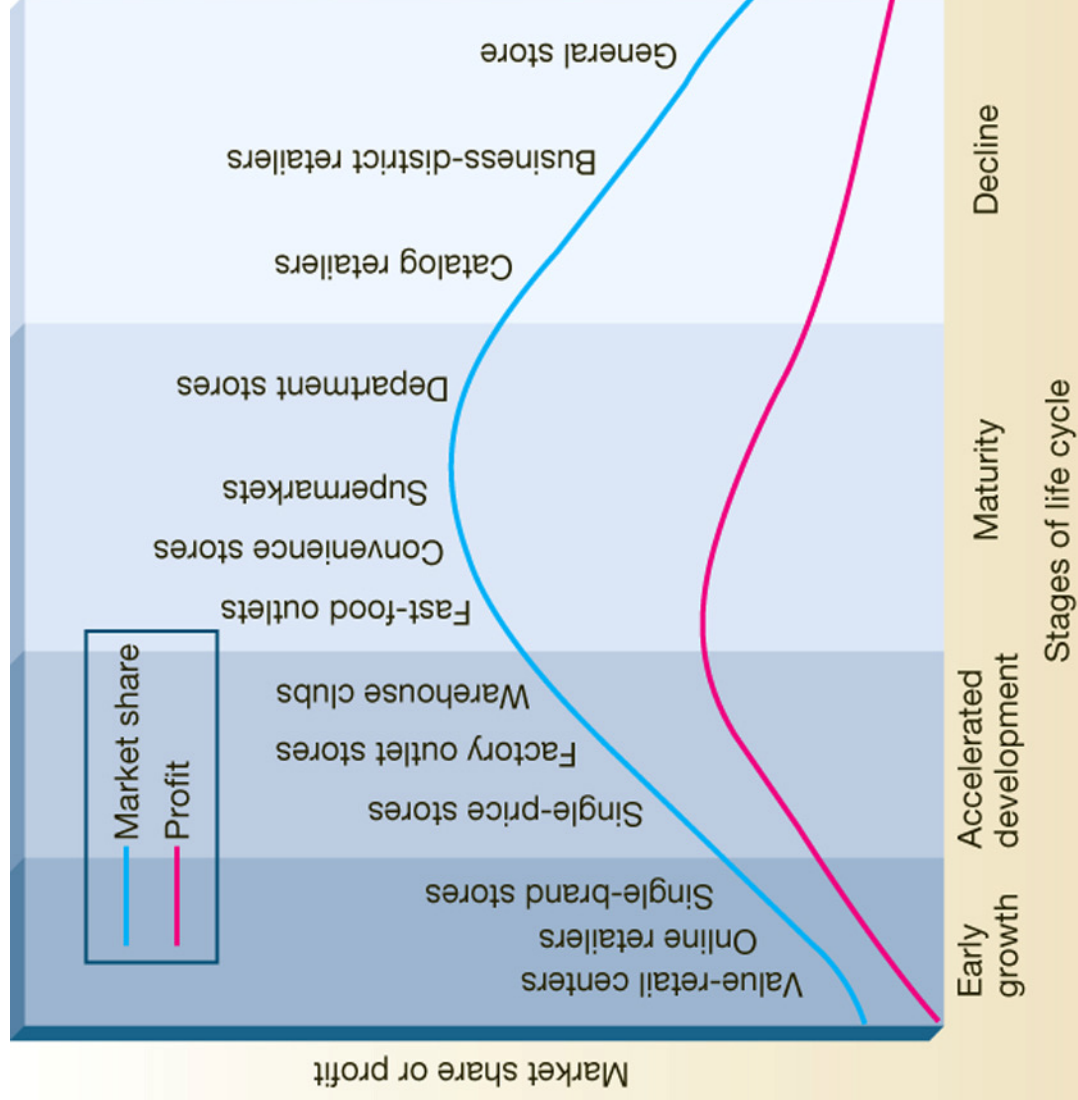
THE CHANGING NATURE OF RETAILING

- **The Wheel of Retailing**
- **The Retail Life Cycle**

The wheel of retailing



The retail life cycle



Differences between hypermarkets and supercenters

HYPERMARKET

Region of popularity Europe
Average size 200–300,000 sq. ft.
Number of products 50,000
Annual revenue \$100,000,000 per store

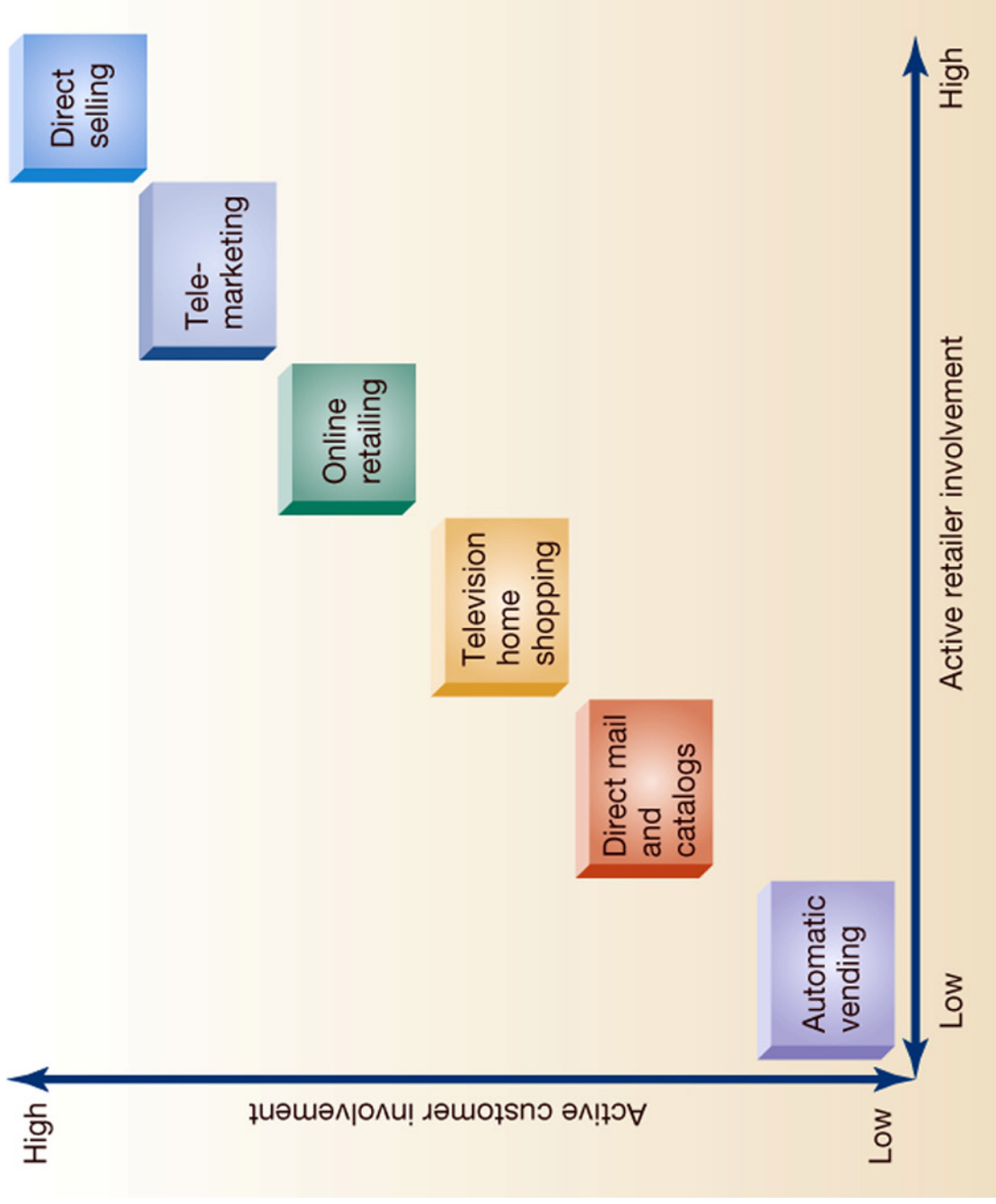


SUPERCENTER

United States
100–220,000 sq. ft.
40,000
\$60,000,000 per store



Forms of nonstore retailing



Coke Vending Machine

What are the strengths and weaknesses of this form of nonstore retailing?



Specialty Catalogs

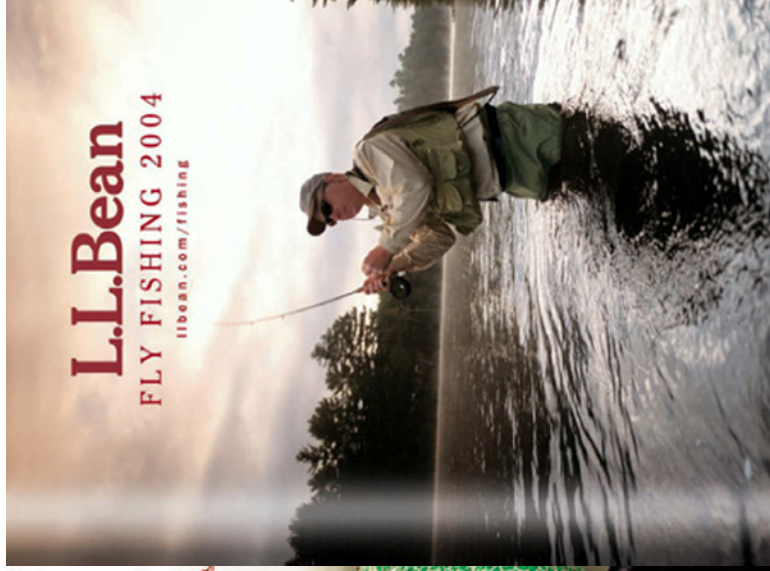
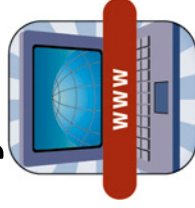
What are the strengths and weaknesses of this form of nonstore retailing?



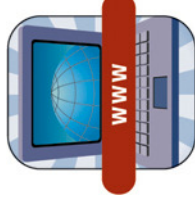
Sears



Lilly's Kids



L.L. Bean



Television Home Shopping

What are the strengths and weaknesses of this form of nonstore retailing?



Online Retailing

What are the strengths and weaknesses of this form of nonstore retailing?

The screenshot shows the mySimon website interface. At the top, there is a navigation bar with icons for Electronics, Computers, Books, Music, Movies, Home, Apparel, Games, Sports, Gifts, and Halloween. A search bar is prominently displayed with the text "Search for a Product" and a dropdown menu set to "All Departments". Below the search bar, there are several promotional banners and category lists.

2004 HALLOWEEN SHOPPING GUIDE
test-drive our new search engine
SIMPLE SHOP BETA
mySimon Shopping Picks
 ▶ Blues Brothers Roto-Cast Figures
 New from Mecca Toys: Animation style Blues Brothers action figures. Based on the 1980 classic comedy, "The Blues Brothers," these figures are on a mission from God, and come with hats, sunglasses, mics, and more. Sold separately or as a set. Check out the most popular costumes in the season. (We can't believe it either.)
 27:10:04 9:53 am

▶ Halo 2
 The biggest news this week for PS2 gamers was the release of Grand Theft Auto: San Andreas. But next week is for the Xbox gamers, with the release of Halo 2 (you can preorder it now). You can even get a limited edition set featuring the Halo 2 game and a Halo 2 figurine. Bonus content, including "The Making of Halo 2." More action and adventure games that get high marks from our editors.
 26:10:04 3:45pm

▶ Fujifilm FinePix E510
 Fujifilm's 5.2-megapixel FinePix E510 Zoom packs a lot of features into a tiny package at a reasonable price. It's point-and-shoot easy to use, with 3.2x optical zoom, and a huge 2-inch color LCD. It has both manual and automatic shooting options, and was ergonomically designed to fit comfortably in your hand. It's also PicBridge compatible, so you can print without a PC. Browse digital

mySimon
 Search for a Product
 All Departments
 ▶ iPods ▶ Plasma TVs ▶ Digital Cameras ▶ Costumes

▶ Browse our Departments
 Top 25 TVs
 Top 25 Cell Phones
 Top 25 Camcorders

mySimon Clearance Center
 Great deals on computers and electronics! ▶▶▶

Apparel & Accessories
 Women's Apparel, Men's Apparel, Women's Shoes, Men's Shoes, Halloween Costumes for Adults, Fall Fashion Picks, Designer Handbags...

Automotive
 Four Wheel, Winches, Trailer Hitches...

Babies & Kids
 Car Seats, Strollers, Infant Carriers, Jogging Strollers, Baby Safety, Baby Shower Gifts, Nursing and Feeding...

Beauty & Health
 Razors, Men's Fragrances, Makeup, Women's Fragrances, Massagers and Pain Relief, Nutritional Supplements...

Books
 War Paper, Oprah's Book Club, Crime Books, Text Books, Magazines, Most Popular, Audio Books...

Computer Hardware
 Apple iG5, Dell Inspiron Notebooks, Desktops, Epson Scanners, Flatbed Scanners, iPage, Palm Handhelds, Handhelds, Inkjet Printers, Notebooks, Networking, LCD Monitors...

Digital Photography
 Games, Graphus, Linux, Music & Video Duplicating, Security, Windows XP...

Gourmet Food & Beverages
 Beer, Wine, Wine Accessories, Gourmet Food, Coffee, Tea...

Home & Garden
 Ciderly, Cidering, Dyeing Vacuums, Entertainment Centers, Furniture, Children's Apparel, Linens, Pet Supplies, Rugs, Lamps, Shirts, Staircases, Steel Refrigerators, Thanksgiving Essentials, Tool Sets, Washing Machines...

Jewelry & Watches
 Birthstone Jewelry, Bracelets, Brooches, Earrings, Engagement Rings, Rings, Necklaces, Watches, Wedding Bands...

Movies
 Oscar Winners, Classic TV Shows on DVD, TV & Movie Memorabilia, Most Popular, Star Wars Trilogy DVD...

Music
 Most Popular, Grammy Winners, Prekers, Top Billboard Albums...

Office Products
 Copy Paper, Desks, Office Chair...

Software
 Games, Graphus, Linux, Music & Video Duplicating, Security, Windows XP...



Internet Cafés

What are the strengths and weaknesses of this form of nonstore retailing?



Questions

Malls of Gurgaon

1. Why has Mall of Gurgaon been such a marketing success so far?

Questions

Malls of Gurgaon

2. What (*a*) retail and (*b*) consumer trends have occurred since Mall of Gurgaon was opened that it should consider when making future plans?

Questions

Malls of Gurgaon

3. (a) What criteria should Mall of Gurgaon use in adding new facilities to its complex? (b) Evaluate (i) retail stores, (ii) entertainment offerings, and (iii) hotels on these criteria.

Questions

Malls of Gurgaon

4. What specific marketing actions would you propose that Mall of Gurgaon managers take to ensure its continuing success in attracting visitors (*a*) from the local metropolitan area and (*b*) from outside of it?